

Austria	Sfr. 18	Indonesia	Rs 7500	Portugal	Esc 80
Bahrain	Dhs 1550	Italy	L 1300	S. Africa	Rs 6.00
Bulgaria	Bf 42	Japan	Yen 550	Singapore	S\$ 4.10
Canada	C\$1.00	Jordan	Pts 500	S. Korea	Ps 110
Cyprus	£C1.00	Kuwait	Pts 500	Sri Lanka	Rs 100
Egypt	£E1.00	Lithuania	Lt 1.42	Sweden	Kr 6.50
Fiji	Fid 0.00	Malta	Mt 1.25	Switzerland	Fr 2.70
France	Fr 0.00	Mexico	Pes 300	Tunisia	MT 325
Germany	DM 2.20	Morocco	Dir 6.00	Turkey	TL 8.00
Greece	Dr 2.20	Netherlands	Fl 2.50	U.S.A.	Dr 1.50
Hong Kong	HK\$ 12	Norway	Nkr 6.00	U.K.	£ 1.20
Iraq	Drp. 15	Philippines	Pes 20	U.S.A.	Dr 1.50
				U.S.A.	\$ 1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,783

Tuesday November 19 1985

D 8523 B

The view from
Deng's other
China, Page 19

World news

Business summary

Channel decision set for January

British and France underlined their commitment to building a cross-Channel "fixed link" and confirmed in a joint statement that they would announce before the end of next January which project for a bridge or tunnel, or a combination of both, had been chosen.

The statement said a formal treaty on the link would be signed next February.

UK Prime Minister Margaret Thatcher said after a summit meeting in London with President François Mitterrand of France that she would go to France for the announcement of the decision.

S. Africa death toll

South Africa police said 12 blacks were killed during clashes with police at the weekend, mainly in the troubled Eastern Cape. Soweto hospital crisis: Page 4

Deak shot dead

Nicholas Deak, 80-year-old chairman of the Deak Ferera precious metals exchange, was shot dead in his New York office by a woman who also killed his receptionist. The woman was later disarmed and arrested.

Poles released

Seventy-five political prisoners have been released from Polish jails under a "humanitarian initiative," the official PAP newagency said.

Cleric murdered

A senior Christian cleric and his nephew were murdered in east Lebanon in what the Greek Catholic Bishop of Zahlé called a bid to undermine peace efforts. In Beirut, a statement issued in the name of the Islamic Jihad (Holy War) organisation said one of four French hostages held by kidnappers in Lebanon was "seriously sick."

Zia to visit India

President Zia ul-Haq of Pakistan is to visit India next month for further talks with Prime Minister Rajiv Gandhi to improve strained relations between the two countries. The leaders, in Muscat for Oman's National Day celebrations, held a 30-minute meeting. Page 4

Ship hijack trial

Five men charged with arms offences connected with the hijacking of the Italian cruise liner Achille Lauro were sentenced in Genoa to jail terms ranging from four to nine years. Page 2

Pact critics hit

UK Prime Minister Margaret Thatcher attacked critics of the Anglo-Irish agreement signed last Friday and said it represented the best guarantee they had ever had. Page 13

Aid delayed

Two British military helicopters carrying vital rescue equipment to aid victims of the Colombian volcano disaster were delayed for 24 hours because they could not get permission to overfly or refuel in Nicaragua, diplomats said. Seeking answers to disaster: Page 6

Cuban killed

A Cuban seeking asylum in the Venezuelan embassy in Havana was shot as he and another man climbed the compound fence after ignoring calls to stop from Cuban guards, diplomats said.

Spanish delays

Spanish air services were disrupted by delays and cancellations as air traffic controllers began a nationwide strike in pursuit of higher pay and shorter working hours. Page 3

US debt initiative to get new push

BY QUENTIN PEEL IN BRUSSELS

US Treasury Secretary James Baker's initiative to alleviate the developing country debt crisis is to receive a new push at a meeting this week of senior executives of 18 international banks in Toronto.

Page 20

DOLLAR was weaker in London, closing at DM 2.614 (DM 3.622), SF 21.141 (SF 21.122), FF 7.9625 (FF 7.985) and Yen 2203.5 (Yen 2042.4). On Bank of England figures the dollar's exchange rate index fell from 129.3 to 128.2. Page 39

STERLING gained 30 points against the dollar in London to close at \$1.4255 but fell slightly to DM 3.725 (DM 3.73), SF 3.0525 (SF 3.065), FF 11.355 (FF 11.357) and Yen 230.0 (Yen 230.5). The pound's exchange rate index rose to 79.5 from 79.5. Page 39

GOLD fell 75 cents on the London bullion market to \$324.00 and was also lower in Zurich at \$323.90. Page 33

WALL STREET: The Dow Jones industrial average closed up 4.93 at 1,440.02. Page 42

LONDON: both gilt and equities strengthened. The FT Ordinary share index shed 2.8 to 1,083.2 while the FT-SM 100 rose 1.2 to its best-ever closing high of 1,405.1. Page 42

TOKYO: was led higher by blue chips. The Nikkei market average gained 20.67 to 17,000.31. Page 46

SINGAPORE: Premier Lee Kuan Yew forecast that the country's economy would contract by about 2 per cent this year. Growth in 1984 totalled 8.2 per cent. Page 4

BUTTES Gas and Oil, California-based energy exploration and distribution company, has filed for protection from creditors after reporting a \$3m deficit in the first six months this year.

BALFOUR BEAN: South Africa's largest industrial company, increased turnover by almost a quarter in the year to September 30 but suffered a cut in earnings per share because of an increase in share capital. Page 22

AUSTRALIA and New Zealand Banking Group reported a 6.5 per cent increase in net profits from A\$263.6m (US\$181.7m) to A\$302.2m for its September 30, its first as owner of the Grindlays banking operation. Page 22

DR KONRAD Wingerhofer, chief executive since 1972 of Munich-based Bayerische Reiffenzentralbank (BRZ), has stepped down because of loan losses to the building sector which could reach DM 750m (\$268m). Page 21

SHOOT BROTHERS, state-owned Belfast aircraft manufacturer, made taxable profits of £232,000 (£745,000) in the year to March 31 - the first surplus since 1974. Page 21

NORTHGATE Exploration has posted a third-quarter loss of C\$17.400,000 (US\$18,000) bringing the Canadian mining company's loss for the first nine months to C\$23.8m. Page 21

AUTOMOBILE Association Financial Services, the new joint venture between NorthWest Securities and Automobile Association Development, has launched a £250m credit facility on the international capital markets. Page 21

METAL BOX, containers and metal-housing group, reported first-half pre-tax profits down by £500,000 to £31.2m (£44m). Page 20; Details, Page 24

MOVENPICK Hotels International and Minneapolis-based Radisson Hotel Corporation have signed a series of management and franchise contracts which will enable them to expand their international operations.

ALAMITO, Arizona-based wholesaler of electric power, has agreed to be acquired by an investment group in a leveraged buy-out worth about \$261m. Page 21

FRANCE: left edges towards privatisation 2

Brazil: joke on jokers as democracy triumphs 6

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EEC sets tough terms in granting loan to Greece

Continued on Page 20

Star Wars is first item on Soviet agenda

BY REGINALD DALE AND PATRICK COCKBURN IN GENEVA

MR MITCHEL GORBACHEV, the Soviet leader, yesterday firmly placed arms control and the US Star Wars space defence programme at the top of the agenda for his historic two-day meeting with President Ronald Reagan which opens in Geneva today.

Mr Gorbachev, arriving in Geneva for the first superpower summit in six years and the 11th since the last war, said that the aim must be to see what could be done to halt an "unprecedented" arms race and prevent its extension into other spheres - an implicit reference to the Star Wars programme. The two countries must "ward off the threat of nuclear war," he said in a brief statement in grey, wintry weather.

Normally this would be done simply at the discretion of the Commission after consulting the EEC monetary committee, but it was agreed yesterday that in this case the ministers would be consulted.

The conditions set by the ministers and proposed by the Commission are close to the targets put forward by the Greek Government.

But the specific import protection measures sanctioned in order to correct the balance of payments deficit are less extensive than proposed by Athens and will be split

Continued on Page 20

Greek Prime Minister Andreas Papandreou yesterday rejected the resignations of the Minister and Deputy Minister of Public Order which were submitted after the shooting by a police officer on Sunday night of a 15-year-old demonstrator in central Athens.

The chief of Greek police, his deputy and the director of police in the Athens region were suspended from duty pending an investigation into the killing, which occurred in clashes between youths and police. Page 20

Towering ambition of a billion dollar builder

By William Hall in New York

MR DONALD TRUMP, the 38-year-old New York property tycoon, yesterday unveiled his third attempt to build the world's tallest building in New York City. This time he is convinced that he has a winner on his hands.

Mr Trump, who has done more than most to reshape the Manhattan skyline, yesterday announced his most ambitious project to date - Television City - which he plans to build on the upper west side of New York on the site of the old Penn Central Railroad yards.

With an eye on the major US television networks which are threatening to emigrate to California because of New York City's high taxes and cramped conditions, Mr Trump unveiled plans to build the "world's most technologically advanced television and motion picture production complex." The centrepiece will be a 150-storey building which will be 1,670 ft (509 m) high, exceeding by 216 ft the 1,454 ft Sears Tower in Chicago.

The world's tallest building belongs in New York, and the centre of the nation's television and film industries belongs in New York," a confident Mr Trump said yesterday. Television City, according to his side, will be "the largest and most dynamic new community ever built in New York" with 3.6m sq ft devoted to TV and movie studios, 1.1m sq ft of retail space and 8,000 apartments.

Mr Trump bought the 100-acre Penn Central Railroad yards, which stretch along the Hudson River from 59th Street to 72nd Street, for \$100m several years ago. Although he was not able to estimate the cost of his latest project, it is safe to say it will be in the billions of dollars, if it ever gets off the drawing board.

Mr Trump, who is said to be worth close to \$1bn himself and has recently added two Atlantic City casinos to his Manhattan property empire, hopes to break ground on his new project in early 1987 and complete the first phase by 1992.

If his other projects are any guide, however, his latest plans will come under fire from several quarters by people who argue that Mr Trump is on an ego trip which knows no bounds. Why else, they ask, does he insist that every project he builds carries his name?

New York City is littered with Trump plazas and Trump towers. Although Mr Trump said yesterday that no name had been chosen for the world's biggest building, there is a high probability that the word "Trump" will appear somewhere in the title.

Continued on Page 20

Rescue plan floated for Tung shipping group

BY DAVID DODWELL IN HONG KONG, CARLA RAPORT IN TOKYO, AND ANDREW FISHER IN LONDON

OHL faces annual loan repayments of about \$190m. It operates 55 ships, and its main business is Orient Overseas Container Line. The new container group, announced in Hong Kong yesterday, will take in 23 container ships. It will not include Furness Withy of the UK, which is part of OHL.

Deals in OHL shares were suspended in September when the company said it had obtained a HK\$1.6bn (\$125m) line of credit from the late Mr C.Y. Tung, the founder, 30 are Japanese and the rest Hong Kong, US and European.

A creditors' steering committee was formed yesterday to advise the company on the restructuring scheme and help to implement it.

It includes Manufacturers Hanover, Trust, Chemical Bank, First National Bank of Chicago and First National Bank of Boston from the US, Standard Chartered of the UK, the Hongkong and Shanghai Bank, Bank of Tokyo, Industrial Bank of Japan and Fuji Bank. Other creditors include Banque Nationale de Paris.

At the Tokyo meeting, the Tung group appealed to creditors for a grace period of 180 days to come up with a debt restructuring plan.

Japanese creditors are owed more than 50 per cent of the \$1bn

An executive of Shearson Lehman Brothers, the US investment bank acting for the privately owned Tung interests, said after the meeting that creditors had tacitly agreed to await the restructuring plan before calling in loans.

Of the 70 banks and financial institutions owned money by the group, headed by Mr C.Y. Tung, the son of the late Mr C.Y. Tung, the founder, 30 are Japanese and the rest Hong Kong, US and European.

A creditors' steering committee was formed yesterday to advise the company on the restructuring scheme and help to implement it.

EUROPEAN NEWS

Chinese order for Italians

By Alan Friedman in Milan

ITALTEL, the Italian state-controlled telecommunications equipment maker, has won a £30bn (\$18.9m) contract to build a telephone equipment factory in China. Italtel said last night that this contract - which calls for the plant to be built at Chongqing in Szechuan province - is part of a larger series of commercial agreements being negotiated.

The contract was signed in Peking by Mrs Marisa Bellisario, managing director of Italtel, which is part of the IRI-Seti state holding group. It is understood that the £30bn initial deal is to be financed by a package of grants and low-interest export credits from Italy. Banca Nazionale del Lavoro (BNL), Italy's largest state-owned bank, is to manage the export credits associated with the project.

Under the terms of the Chongqing project, Italtel will license the Chinese to build a pulse code modulation (PCM) system and will also provide technical assistance and personnel.

The Milan-based Italtel last year made net profits of £2.2bn, compared with £10bn recorded in 1983. Sales in 1984 were 9.2 per cent higher at £1.25bn and the gross operating margin was up almost 22 per cent at £150.3bn.

Italy joins UK in attack on proposed cereals tax

BY IVO DAWNAY IN BRUSSELS

A CLEAR majority of European Community farm ministers yesterday gave an unexpectedly warm welcome to the European Commission's outline proposals for a new producer tax on cereals.

Britain's fears of being the sole opponent of the plan were proved premature, however, when Italy also expressed strong objections. Evidence of Italy's concern first emerged last week, when Mr Carlo Ripa di Meana, the junior Italian Commissioner, openly attacked the package in defiance of the normal convention of "collegiate" solidarity within the Commission.

Mr Ripa di Meana is said to have criticised the proposed co-responsibility levy on small farmers as once again penalising the Italians with a tax on a crop of which Italy is a deficit producer.

Rome has repeatedly expressed annoyance in the past that its dairy and sugar beet farmers have suffered production restraints because of surpluses

W. German industry forecast to spend more

By Rupert Cornwell in Bonn

CAPITAL spending by manufacturing industry in West Germany is likely to grow further next year - albeit at barely half the exceptional 13 per cent real increase in investment expected for 1985. This pointed to continued steady growth in the economy as measured by the latest survey of corporate investment plans by the IFO economic institute in Munich. The study, carried out in August and September, covers almost 3,500 manufacturing concerns.

In spite of the slackening in the growth rate for 1986, IFO maintains that corporate investment is a key factor helping domestic demand take over from exports as the driving force behind economic growth, generally expected to be around 2.5 per cent this year.

Most experts predict that 1986 will see more of the same, although the IW institute in Cologne, with links to the employers' association, forecast yesterday that the economy could expand by as much as 3.5 per cent next year, fuelled by a much heralded, but long delayed, upturn in private consumption.

According to the IFO survey, the raw materials and production goods sectors will make the running this year, having lifted spending by up to 25 per cent. More than 50 per cent of the companies interviewed declared plans to boost industrial output next year. The main impetus should come from manufacturers of investment goods.

● The trial opened yesterday, and was immediately adjourned for a week, of Mr Egon Franke, the former Social Democrat Minister for Inner German relations, on charges of misusing DM 5.65m (£1.5m) of Ministry funds between 1979 and 1982. Mr Franke's defence maintains that the funds not accounted for were used to buy the freedom of prisoners in West Germany, in transactions of which no financial records exist.

The week's delay follows objections from Mr Edgar Hirt, co-defender and former aide of Mr Franke, to the composition of the court.

EUROPE ASKED TO CLARIFY ROLE OF ESA

Nasa seeks talks on space station

BY PETER MARSH

THE US is urgently seeking clarification from the 11-nation European Space Agency (ESA) on the role the latter will play in the international manned space station due to be built under US leadership in the early 1990s.

Officials from the Paris-based agency have been invited to a meeting in Washington next month where they will be asked to make plain Western Europe's intentions for the station, which is due to provide a base for activities such as low gravity materials processing.

The meeting has been called by the US National Aeronautics and Space Administration (Nasa), which wants to finalise plans for the station by March, ready for engineering development to start in January 1987.

Mr Philip Culbertson, associate administrator for the Office of Space Station at Nasa, said yesterday in London that Western Europe had "found it difficult to get its act together" over the station.

The main difficulty appears to centre on the European agency's plan to provide a \$2bn (£1.6bn) laboratory, Columbus, that would fit into the main core of the orbiting facility on which the US plans to spend about \$8bn. Columbus would be similar to two other scientific laboratories provided by Japan and the US which also fit into the core.

The ESA countries decided last January to become involved with the US plans, by building

Columbus. But they also decided to pursue a long-term scheme for autonomy in space, which would involve adapting Columbus to form an independent European space station at some unspecified date.

Mr Culbertson said yesterday it was not clear whether Columbus would be permanently attached to the US station or would be separated to form the basis of a separate venture.

"We are trying to plan the station to minimise duplication between different elements of the base," said Mr Culbertson.

"This is made difficult if we think that the Columbus laboratory might one day suddenly disappear."

Mr Culbertson said these countries had given Nasa a satisfactory account of the role they wanted in the scheme.

Industry leader criticises labour regulations

BY PHILIP BASSETT, LABOUR CORRESPONDENT, IN PARIS

EUROPE'S LABOUR costs and rigid labour legislation are primary factors in the sharp difference between relative employment levels in Europe and the United States, Mr Caspar Cassani, the chairman of IBM Europe, said yesterday.

Addressing an OECD conference in Paris yesterday on large companies' role in job creation, he said that there had been a net gain of 20m jobs in the US over the past 25 years, while Europe had seen a loss of 3m jobs - at a time when both had broadly similar rates of growth in industrial output.

He said that "one undeniable factor is the competitiveness of labour" and pointed out that wages had grown much faster in Europe - a 20 per cent in France and Italy over the past 10 years, compared to US rates holding

steady for the same period.

Wage benefits, social security payments and holidays had grown much more rapidly in Europe, and now represented a much larger proportion of labour costs, he said. Europe also suffered from labour market rules and regulations which were "well meant but achieved the opposite of what was intended and resulted in paralysing rigidities."

Labour legislation in Europe makes it much harder to dismiss employees for economic reasons. And employers are therefore much more reluctant to take on new staff."

It also took much more time in Europe to complete the legal formalities necessary to start a company - up to four months compared with a few days in the US. This partly explained why more than 600,000 com-

panies were set up in the US last year.

In Europe there was still an antagonism to business. While Europe had a greater social safety - though that was itself now threatened - unemployment in Europe made such stability too high a price to pay.

● Entrepreneurship is now a key business approach offering a new freedom of action for large companies, according to an OECD report considered by the conference.

The report said that "entrepreneurship can no longer only be identified with the traditional individual entrepreneur; proprietor entrepreneurship is nowadays a way of tackling and handling business problems."

Entrepreneurship is becoming a key labour market concept and "offers a new freedom of action to large companies which had

First jail terms in liner hijack

BY JAMES BUXTON IN ROME

THE PALESTINIAN terrorists who last month hijacked the Italian liner Achille Lauro were given prison sentences yesterday of up to nine years for an offence connected with the operation.

The four hijackers and an accomplice admitted illegally possessing arms and explosives and taking them on board the

liner in Genoa. Their trial on the principal charges of hijacking the ship and murdering one of the passengers will not take place until early next year.

In yesterday's brief hearing in Genoa, the five men, looking young and cheerful, were placed in three separate steel cages.

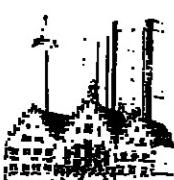
Three of the men accused of the hijack - Bassam el Ashker,

Ibrahim Fatayer and Ahmed al Assadi - were in one cage. A fourth, Majed al Molqi, the alleged murderer of the passenger, was in the second.

The third cage was occupied by Issa Abbas, who is alleged to have assisted the terrorists before their departure. He is believed to be a cousin of Abu

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Financial Times Tuesday November 19 1985

EUROPEAN NEWS

STATE SECTOR CALL

Rocard rethinks the basic socialist doctrine

THERE ARE some issues on which political leaders hold heretical views but where they judge that silence is the better part of valour. The strength of Mr Michel Rocard, who gains the confidence of being the French Socialist party's most probable candidate at the next Presidential election, is that he is ready to be outspoken if that encourages the party to rethink its basic doctrines.

The process is true over the delicate issue of the future of the nationalised industries. "The idea of allowing private shareholders a minority stake in the parent companies (of nationalised groups), does not shock me," he said in an interview.

"It is something I have always believed in. And more than that, it makes possible the type of cross-shareholdings at group level, without which strategic tie-ups on European scale are not feasible. But what does make me fearful is a massive programme of de-nationalisation."

Mr Rocard may have nourished such ideas for a long time but neither he nor other Socialist leaders have gone so far as spelling them out.

His initiative comes shortly after the Government, through the intermediary of Mr Laurent Fabius, the Prime Minister, put forward proposals that would legalise the possibility of nationalised groups offering to the public part of the capital in their subsidiaries.

It also comes on the eve of a major National Assembly debate on nationalised industries and President François Mitterrand's press conference on

The French Socialist Party's most likely candidate at the next Presidential election talks to David Housego in Paris

Thursday in which he is likely to defend the performance of the nationalised sector.

Mr Rocard declares himself a supporter of Mr Fabius's proposal, while seeing "certain technical difficulties."

"It is a way of resolving the problem of finding fresh capital for the nationalised groups and of saving face over the principle of (state) ownership of the parent companies," he says.

But the problem is that if the capital structure of the parent companies and the subsidiaries is very different, then it is difficult to impose a unified management of their cash position. It is that type of management constraint that should lead us bit by bit to take a more flexible view" of the nationalised sector. In practice some nationalised groups have already sought a listing for subsidiaries on the Bourse (stock exchange).

Mr Rocard puts his initiative in the perspective of an indebted state no longer having the cash to provide the fresh capital funds that the nationalised companies will need, and of his view that the Socialists in 1981 should have gone for a 51 per cent stake on the companies they were taking over rather than full-scale nationalisation.

But equally he is a determined opponent of the denationalisation being proposed by the Opposition, on the grounds that it could allow US and Japanese companies to build up positions in French groups and that it will depress Bourse prices.

He said: "I am thus not favourable to a very large and massive programme of denationalisation. And I am not the only one. The whole of private industry would probably tell you the same."

Mr Rocard's outspokenness reflects the growing authority of a man who now sees his lifetime ambition within reach.

Air controllers' pay strike disrupts Spanish flights

BY DAVID WHITE IN MADRID

SPANISH air services were disrupted by delays and cancellations yesterday as air traffic controllers started a nationwide strike in pursuit of higher pay and shorter hours.

Minimum service provisions invoked by the Ministry of Transport kept the number of flights cancelled by the national

carrier Iberia and its domestic sister airline Aviaco down to 74. These included 12 connections with European capitals.

The industrial action is due to continue today with little sign of settlement in view. Mr Manuel Mederos, director-general of civil aviation accused the controllers of wanting to be "the best paid in Europe at the same time as working the least".

He said the administration was ready to discuss technical improvement and more rest-hours but would not let its arm be twisted and raise pay by 70 per cent—which is what it says the demands amount to.

Spanish air controllers currently earned as much as or more than their counterparts in France, Italy and Portugal. Mr Mederos said, describing the strike campaign as "absolutely irrational and senseless".

The two-day strike follows a similar protest last week at the control centres of Madrid and Las Palmas in the Canary Islands.

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Fireside chat will open East-West encounter

BY REGINALD DALE IN GENEVA

THE GENEVA SUMMIT opens today with a private tête-à-tête between the two leaders at the lakeside mansion that the US has chosen as the venue for the first day of talks—a grand 19th century villa called the Fleur d'Eau.

Mr Mikhail Gorbachev will host the second and final day of the talks tomorrow at the hill-

side Soviet diplomatic mission

also a classical-style villa, Villa Rosa, with a complex of new-looking modern outbuildings in the woods. Mr Gorbachev is also staying there.

The initial tête-à-tête starts at 10 this morning and is

scheduled to last for 15 minutes.

The two armchairs will be set before a fireplace (snow is forecast) and President Ronald Reagan and Mr Gorbachev will have only their interpreters hovering in the background.

Mr Larry Speakes, the White

House spokesman, said yesterday

that the initial tête-à-tête was "open-ended" to allow the two men to "size each other up,"

and could last as long as 30 minutes.

He suggested, however, that Mr Reagan and Mr

Gorbachev would be anxious not to leave their staff waiting outside for too long in what he described as "informal stand-up discussions."

The morning plenary session,

at which both Mr Reagan and Mr Gorbachev will be flanked by their foreign ministers, and

Mr Gorbachev will be invited to speak first, is to be devoted to a general overview. At lunchtime, both leaders will adjourn for further staff consultations.

The first afternoon has been earmarked for a plenary discussion of arms control, and in the evening Mr Gorbachev hosts a dinner at the Soviet mission.

Tomorrow, the arrangements are reversed, with the plenary

session in the Soviet mission

and Mr Reagan giving the dinner at the Maxon Saussure, big residential headquarters

just along the lake from the

Villa d'Eau.

What happens on Thursday

morning has yet to be agreed.

But it seems likely that the two

leaders will appear at either

join or separate closing

ceremonies to give their

accounts of what has been

achieved. Mr Reagan then goes

to Brussels to brief Nato

leaders in the afternoon and

straight back to Washington to

report to a special joint session

of Congress at 9 pm Eastern

US time the same night.

● Mr Gorbachev and his wife

arrive (right) at Geneva.



Honecker visit likely to depend on outcome

BY RUFERT CORNWELL IN BONN

THE SUMMIT, and the dispute over President Ronald Reagan's Strategic Defence Initiative (SDI) which threatens to dominate it, have now become ingredients in Bonn's favourite guessing game of the moment:

Will Mr Erich Honecker, the East German leader, pay a visit to West Germany in September 1984, will be arriving between December 8 and 15. He would, if it is claimed make a "working visit" to Bonn for a few hours.

Over the past month speculation has steadily mounted that Mr Honecker, the international climate permitting, now intends to come in the first half of

December. Government spokesmen here resolutely deny all knowledge of such plans, but to no avail.

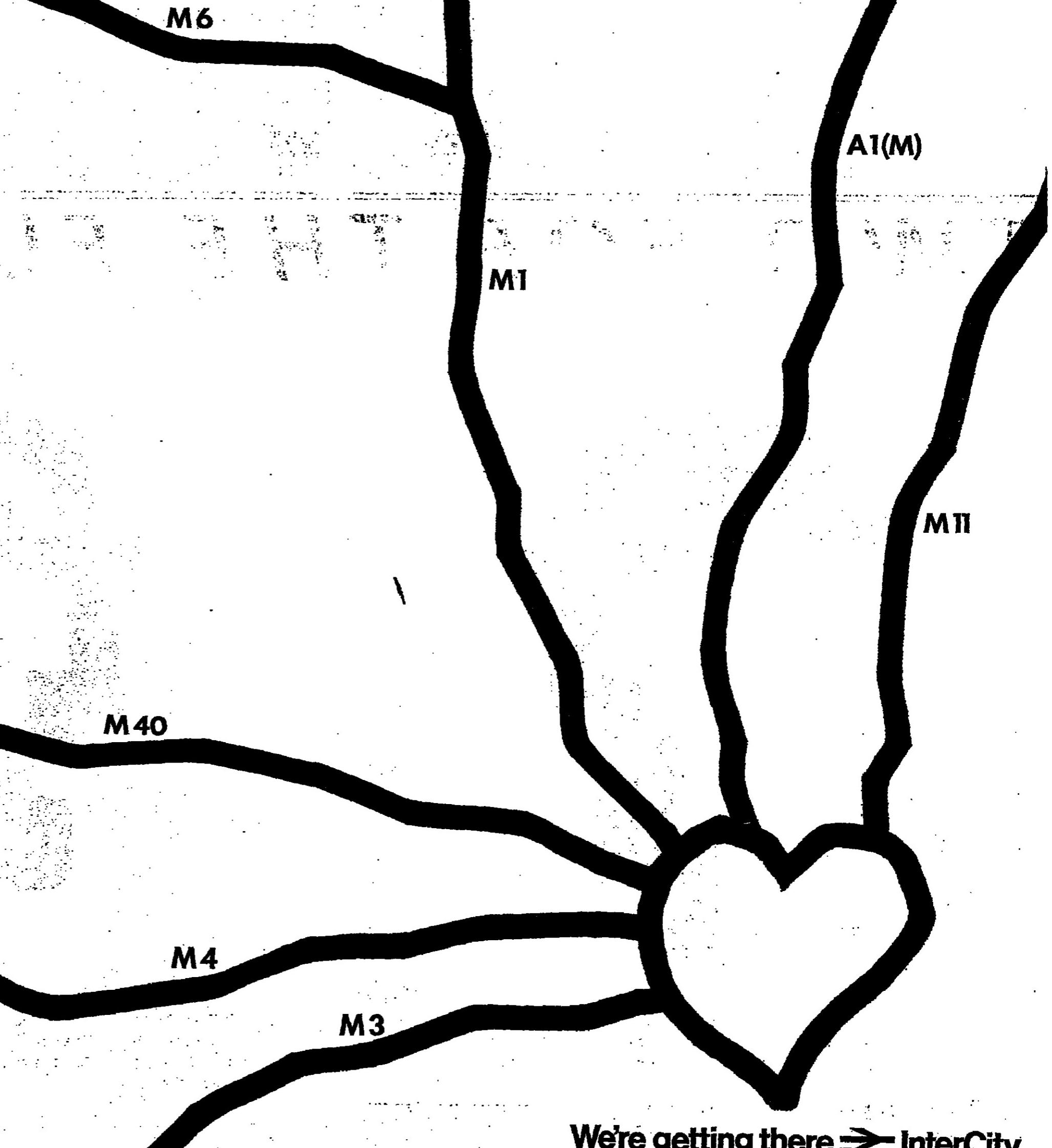
Insistent reports maintain that the East German leader, who was prevented by Soviet pressure from travelling to West Germany in September 1984, will be arriving between December 8 and 15. He would, if it is claimed make a "working visit" to Bonn for a few hours.

Whether early December is the right time depends, analysts agree, to some extent on the outcome of the Reagan-Gorbachev talks and the exact

moment of any understanding between Bonn and Washington over the vexed question of West German participation in the SDI.

Although East-West German relations can be surprisingly independent of the mood between the superpowers, officials accept that it would be hard for Mr Honecker to come here in the immediate aftermath of conspicuous failure in Geneva.

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OVERSEAS NEWS

Singapore suffers severe slowdown

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S economy will contract by around 2 per cent this year, Mr Lee Kuan Yew, the Prime Minister, has forecast, and he has ruled out any great improvement next year.

The forecast, given in an interview with the *Shinmin*, the Japanese daily, confirms that the economy's deceleration this year will be one of the severest suffered by any country in the world. Growth in 1984 was 8.2 per cent.

Mr Lee said he based his forecast on figures up to October, although the Government has not even published figures for the third quarter. These were due out at the beginning of the

month, and most people expect a contraction worse than the second quarter figure of minus 1.4 per cent.

Singapore has suffered negative growth only twice in the 22 years since its birth in the first year and in 1974. For the past 20 years the island state has averaged just under 10 per cent annual growth.

One reason for the reversal is slow growth in the US, on which export-driven Singapore has become increasingly dependent.

But domestic construction has also slowed, and local industries such as ship-repairing, oil refining and petrochemicals face declining demand.

In addition high labour costs and a strong dollar have drastically eroded Singapore's competitiveness.

According to Mr Lee, "It is difficult to see great improvement in the short term, even though there should be a pick-up in the American economy, which may boost our manufacturing, our construction is slowing down." Major construction projects used for counter-cyclical spending had come to an end.

The Prime Minister indicated that it would take around three years for Singapore to recover from the recession. "We have to increase our productivity, hold wages at their present

levels and look for sunrise industries," he said.

In the past, Mr Lee has pointed to industries such as biotechnology, computer products, specialty chemicals and telecommunications equipment as potential growth areas.

The Government has taken certain steps over the past few months to counter the worst effects of the reversal.

These are said to amount to a stimulus worth \$51bn (\$320m) in the current fiscal year. The measures included cuts in telecommunications and other charges, property tax rebates and fuel and power price reductions.

Mahathir in bid to boost links with China

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMED, the Malaysian Prime Minister, begins an eight-day official visit to China tomorrow, aimed at expanding trade and commercial links.

But the Malaysian leader has ruled out the prospect of any deepening of existing political and diplomatic relations.

In Peking, Dr Mahathir will hold talks with his Chinese counterpart, Zhao Ziyang, and the senior Chinese leader Deng Xiaoping. A number of economic agreements are expected to be signed; these include avoidance of double taxation, a shipping pact and an agreement on direct trade.

China is expected to agree to

buy 200,000 tonnes of hot briquetted iron from a Malaysian sponge iron plant in Sabah, while a Malaysian company, QBS, is expected to win a contract to build a major trade and science exhibition centre at Tienjin.

Last year, total bilateral trade amounted to nearly \$600m and is strongly in China's favour. With Western countries consuming less and less of Malaysia's commodities such as rubber, palm oil and timber, the China market is an obvious alternative which Dr Mahathir will try to win.

Although Malaysia became the first country within the

Association of South-East Asian Nations—ASEAN—to establish diplomatic ties with China in 1974, Kuala Lumpur's distrust towards Peking's intentions are deep and difficult to dispense.

Like Indonesia, Malaysia regards China, and not Vietnam, as the long-term security threat to South East Asia.

Dr Mahathir sees China as engaged in its own internal modernisation under the leadership of Deng. However, Malaysia fears that an economically powerful China could, in future, come under an ambitious and militarily-inclined leader and this could spell trouble for South-east Asia.

Malaysia is unhappy with US plans to build up China's defence capability against the Soviet Union, since it fears that such weapons could well be used against China's southern

frontier.

But the Malaysian Government recently carried out a major review of its China policy and concluded that an expansion of trade and commercial ties could be fostered without jeopardising national security interests.

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S. Korean students in new clash with police

BY STEVEN B. BUTLER IN SEOUL

STUDENT VIOLENCE rose again in South Korea yesterday. On day 17 of a student-led campaign against the ruling Democratic Justice Party (DJP) in southern Seoul and burned the second floor of the building as police fired tear gas at them.

This incident is the latest in a series of clashes between students and police that have become nearly a daily event.

Students stormed the DJP training centre, overcoming guards with petrol bombs and clubs. They held onto the building for hours, unfurling banners and shouting slogans against South Korea's President, Chun Doo-Hwan.

They called for an end to US support for the South Korean Government.

The students sprinkled petrol around the building and later carried out a threat to set fire to it if police moved in. All of the students were arrested. One student was injured as he leaped from the roof of the building, while two policemen and one fireman were injured by stones hurled at them.

Students led to hasty backtracking by the Government last week, has stepped up its campaign to ensure that the Government fulfils its promise to scrap discriminatory employment legislation next year, even if the employers' body and the white mining unions to reach agreement over this contentious issue.

The chamber is seeking replacement by the Health Worker Association spokesman, who are seeking an urgent court order to prevent the evictions while attempts were also under way to seek the intervention of the Minister of Health, Dr Willie Van Niekerk, in a dispute which risks spreading to other hospitals.

The South African Black Municipal and Allied Workers Union (Sabmawu) which represents many of the dismissed nurses and auxiliaries, was threatened to spread the strike to other hospitals and has sent telegrams to two international unions—the Paris-based Public Service International, and the Post, Telecommunication and Telegraph International, seeking a boycott of all South African goods and postal services.

The dispute at the 3,500-bed hospital which services Soweto.

The white miners' union is fighting to prevent this.

Soweto hospital crisis worsens

BY ANTHONY ROBINSON IN JOHANNESBURG

THE CRISIS at Soweto's Baragwanath Hospital, where army medical personnel were moved in over the weekend to replace striking student nurses and auxiliary staff, deepened yesterday when 600 nurses were told to vacate their hostel within 24 hours.

According to a Health Worker Association spokesman, more than 300 auxiliary workers were also escorted by armed police to the administration block and obliged to accept their final pay packets.

Workers acting for the unions concerned were seeking an urgent court order to prevent the evictions while attempts were also under way to seek the intervention of the Minister of Health, Dr Willie Van Niekerk, in a dispute which risks spreading to other hospitals.

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The dispute at the 3,500-bed hospital which services Soweto.

Boy bias beats

China family planners

BY ROBERT THOMSON IN PEKING

HAVING admitted that long-standing population controls are unlikely to be realised, a Chinese Government is acutely conscious of international attitudes to its controversial population control programme, now finds itself with less room for manoeuvre.

Instead of the hoped-for 1.2bn people by the year 2000, the Government-run *Peking Review* magazine now puts the likely figure at 1.25bn and rising. Instead of relaxing its tough stance on birth control, the Government has more reason to tighten its grip.

Chinese leaders are extremely sensitive to criticism of the programme, however, and are keen to win the hearts and minds of an unsympathetic but influential audience in the US Congress, where conservatives have extended the boundaries of their national anti-abortion campaign to take in China.

The American anti-abortionists led a push against US funds being used for Chinese population control and cut \$10m from a grant to the United Nations fund for population activities. They also delayed for several months the appointment of the new US ambassador to China, Mr Winston Lord.

At the centre of the US debate is an allegation that the Chinese Government, which calculates that there were 6m abortions last year, actively encourages forced abortions as a means of population control. While Chinese officials admit that overzealous provincial officials have made "mistakes" by forcing abortions, they deny that such things are officially condoned. Another source of embarrassment to the Chinese is the regular reports of female infanticide, which arises from the traditional preference for male children. Again the Government denies that it approves of the killings, and has publicised cases in a bid to eradicate the practice.

The Chinese Press reported that in two countries in the south, 210 baby girls were known to have been killed by their parents in 1983. The gruesome case histories included the drowning and strangling of newborn children. In the rural areas, if a family is to have only one child, then some dominant fathers insist that the child must be a boy.

A boy is believed to be more productive in the fields, and more significantly, when a man is married, his wife becomes part of his family. Bringing up a female is therefore considered to be a bad investment.

Concessions have been made by the Government in allowing minority groups to have more children and the parents of handicapped children to have another child, but some concessions have served only to perpetuate the boy bias. In southern Guangdong province if a family's first-born is a girl, they are allowed to have another try for a boy.

In this week's *Peking Review*, two letters were published from outraged provincial family-planning workers who defied China's ban on the slandering of a few people" in the US. One of the workers told how she convinced a reluctant young wife to have a second child.

Another couple could not agree on whether to have a second child. The wife said she did not want another. Her husband however did want another," the worker, Cui Peihua, explained. "Through my persuasion the wife decided to respect her husband's will. Now both are delighted with their second child."

They will probably not be so delighted by the loss of a state grant given to families who agree to have one child, or to the tax increase imposed on parents who multiply beyond the one-child limit. The Chinese Government would no doubt like to ease the family planning controls to make the programme more internationally acceptable, but the overcrowding problems created by such a relaxation would verge on the disastrous.

In the most congested sections of Shanghai, each person has about two square metres of living space. Finding elbow room is a problem in almost every city.

The Chinese Government has begun to research the long-term social side-effects of the one-child policy, which include the spoiled brat syndrome and the greying of China's baby-boomers—the result of Chairman Mao's population drive in the 1950s and 1960s.

A researcher at the Chinese Academy of Social Sciences, Chen Jiafang, said that the Government is concerned that pampered single children will have a "centrifugal social force" rather than the "cohesive social force" that is conducive to successful socialism.

As for the ageing problem, Chen foresees that the critical time will be about 2020. He frankly admits that there will be serious problems caring for the elderly, as for two sets of grandparents there will be only one married couple to provide support.

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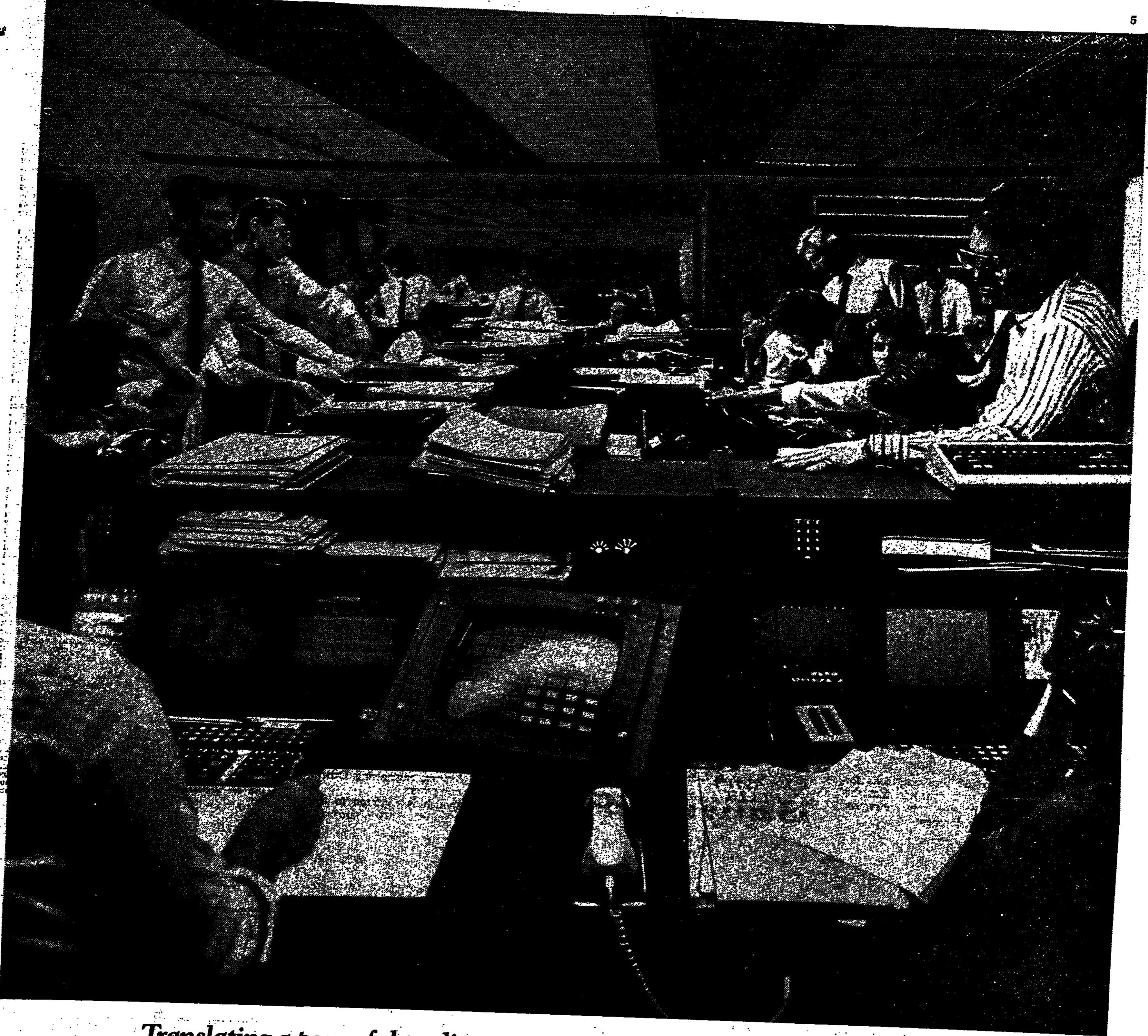
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AMERICAN NEWS

Substantial changes to tax reform Bill likely

By Stewart Fleming in Washington

THE CHAIRMAN of the US House of representatives' ways and means committee, Mr Dan Rostenkowski, is still hoping to complete work this week on the tax reform Bill which the committee has been working on for the past two months.

He is making it clear, however, that even if this ambitious deadline is met, the bill which finally emerges from the committee, which has the constitutional authority to originate tax legislation, will differ significantly from what the Reagan Administration wants to see.

Yesterday, in a further delay, a full committee session was postponed while two "working groups" of the panel, dealing with tax shelters and research and development tax credits, met to try to draft detailed proposals.

Over the weekend, during the course of drafting sessions called by Mr Rostenkowski to try to speed up its work, he disclosed that he expects the bill to have a top marginal tax rate higher than the 35 per cent level the Reagan Administration has said, it is not prepared to compromise on.

Mr Rostenkowski maintained, however, that the bill would still amount to "the biggest tax reform Bill in American history", and, in a bid to put pressure on the White House to accept it, added: "I would not want... us to lose the opportunity to write history in as large a document as this over one or two percentage points."

But Mr Rostenkowski has conceded that some of the biggest issues, apart from the top marginal rate, have yet to be resolved.

Even if the committee does succeed in meeting its ambitious deadline, Mr Rostenkowski has acknowledged that the full House may not be able to approve the bill by Christmas.

He conceded yesterday that there was even the possibility of a filibuster in the committee.

Superstar lawyer leads fight against tobacco groups

BY TERRY DODSWORTH IN NEW YORK

THE PRE-FIGHT skirmishing is over, the battle lines drawn, and the first shots were fired yesterday in what promises to be one of the most controversial legal contests ever fought in the US.

On the one side stands Mr Marvin Belli, the flamboyant California lawyer whose campaigns against big business have given him superstar status and a megabuck income. On the other are a phalanx of lawyers, meticulously prepared to defend the tobacco group R. J. Reynolds from charges that its cigarettes led "to the development and aggravation of cancer" in Mr Belli's client.

"They have spent \$3m on this case already, and they have a team of 20 lawyers," says Mr Belli disparagingly. "We have just two—but only one of us can speak at a time, and we are 20 times as smart."

The R. J. Reynolds trial, to be held in Santa Barbara, not far from President Reagan's ranch, has attracted widespread interest in the US because it marks the beginning of a new legal offensive against the tobacco industry by the anti-



Belli... megabuck income group, which was plunged into bankruptcy by health claims against asbestos.

Nevertheless, despite these

doubts on Wall Street, the fight against the tobacco industry will be excruciatingly difficult to win. About 20 years ago Mr Belli himself lost a famous battle against Reynolds, and since then there have been a series of skirmishes but totally futile efforts to try to show that the cigarette companies have a legal liability for causing cancer in smokers.

"Over the last 15 to 20 years, 200 cases have been brought against the tobacco companies," says a spokesman for Reynolds. "Of these, 145 have been disposed of. The score? Tobacco industry 145, plaintiffs zero."

Mr Belli is not in the least perturbed by this record of failure. "Things have changed," he says, referring to his own defeat 20 years ago. "Today there is better law, better science, better analysis and better fact."

He has already sketched in the main points of his strategy—first to establish the link between smoking and cancer, something that has never yet stood up to courtroom scrutiny, and then to show that tobacco is addictive.

As in many Belli cases, he

has an emotional subject to deal with: the dead man, whose family is demanding damages of \$100m, was so deeply dependant on tobacco that he was caught removing his oxygen support system to take a puff on a cigarette.

Mr Belli's bouncy self-confidence is an intrinsic part of a style that has won him both acclaim and enmity over the years. Although he has represented many of the rich and famous, he is known above all for spellbinding courtroom presentations that have vastly expanded the concept of product liability—the notion that a company is responsible for the products it puts on the market, or a professional person for the services he offers.

Indeed, to a large extent Mr Belli has won the war in a legal competition that now has caused furious rows over the astronomical increases in some insurance policies, especially those covering medical malpractice and some forms of corporate risk.

Inevitably these actions have made him into a beta noire in some quarters, where he is disparagingly dismissed as an "ambulance chaser" who lives parasitically on the anguish of others. Liability lawyers often work on contingency fees in which payment is a percentage of the damages awarded.

To the underdogs who have benefited from Mr Belli's intervention, however, he remains unquestionably the "king of torts" as Life magazine once called him. His attitude is that big business has to be hit in its pocket to be made to act responsibly, and, at 78, he is attacking the Reynolds case with the gusto of a young man in pursuit of a juicy prize.

He has already won the first round of the publicity battle, receiving widespread coverage for his novel way of attending the trial—he is sailing his 110 foot yacht, which contains 8 luxury staterooms, down to Santa Barbara to act as a floating headquarters.

The yacht, he reminds inquirers, is named the Adequate Award; and in case he is accused of self-interest in what is bound to be a particularly gruesome trial, he insists that he is giving all his fees to cancer research.

Colombia seeks answer to disaster

By Serita Kendall in Bogota

AS THE avalanche of mud that buried the town of Armero, central Colombia, solidifies, arguments are focusing on whether the tragedy that killed more than 22,000 people could have been avoided.

Even at this stage the danger of another eruption of the Nevado de Ruiz still exists, according to Mr Haroun Tazieff, a French expert. He had not been able to see the crater because of the steam and debris, but there was always the possibility of further activity after a week, or a month, or even years, he said.

The Colombian Government warned people in the area to be on alert after two explosions were heard near the crater on Saturday afternoon and people streamed out of the town near Armero to shelter on higher ground.

Some, particularly survivors of the mud-slide, have stayed there. One woman sheltering under a piece of plastic with her two children, said she had been on the hill-top since crawling out of the mud-slide caused by Wednesday's eruption.

Helicopters are still looking for—and occasionally finding—trapped people. Many of those who escaped refuse to leave the area: they are looking for friends and relations and have nowhere to go.

Clothing, tents, food and medical supplies are reaching the refugees, but rescuers fear the outbreak of epidemics. The next stage will be to plan for those left homeless.

The number of homeless survivors is small compared to the number of dead, and the national and international response to the disaster has ensured that immediate material needs are being met.

Every possible culprit is being blamed, from the village priest who said Armero's residents should remain and keep calm, to the Colombian Government for not carrying out full-scale evacuations.

Mr Paul Bell, US regional adviser on disasters, said there had been no possibility of an early warning.

"If we did respond to every kind of concern we have we would be moving hundreds of thousands of people every month and that of course is rather ridiculous. I don't think we should be so hung up laying blame for events that are totally unpredictable."

Other experts have said stronger measures should have been taken when the volcano showed signs of activity.

Joke on the jokers as democracy triumphs in Brazil polls

BY ANDREW WHITLEY IN RIO DE JANEIRO

PASQUIM, the Brazilian equivalent of Private Eye, the British satirical weekly, or Le Canard Enchaîné in France, ran an entertaining spoof on its front cover last week. Its "painful duty" magazine said, was to announce the political death of Janio da Silva Quadros, on 15th November 1985—"run over by democracy."

Sad to report, as soon as the ballot boxes started to come in on Friday night from São Paulo, where the former Brazilian President was running for mayor, it rapidly became evident that the joke was on the jokers.

Not only in São Paulo, but in many of the other 200 towns and cities where municipal elections were held last week,

democracy triumphed, leaving the traditional power brokers of Brazil with egg all over their faces.

Nowhere was this more evident than in the north east, long dismissed by the rest of the country as a backward region where voters had been led by the nose to the slaughterhouse.

In São Paulo, where Governor José Agripino Maia was caught red-handed trying to fix the results in advance, his candidate was soundly defeated. In São Luis, home town of President José Sarney, the Sarney family candidate went down to his rival from the much-diminished Social Democratic Party, the military's former political vehicle.

As they licked their wounds,

the political chieftains of the Brazilian Democratic Movement Party (PMDB), the senior partners in the government coalition, must be blaming the PT for the party's shock defeat in São Paulo, where Senator Fernando Henrique Cardoso lost to Mr Jânio Quadros by a narrow 3.4 per cent margin.

The PT polled nearly 20 per cent and effectively split the Left-wing vote.

Although a close race had been predicted, the opinion polls had consistently given the advantage to Senator Cardoso, a sociologist and former Sorbonne professor, whose rapid political ascendancy has now received a severe setback.

What the pollsters and the PMDB underestimated in their cast was the strength of the most messianic appeal which former President Quadros has for a certain type of Brazilian.

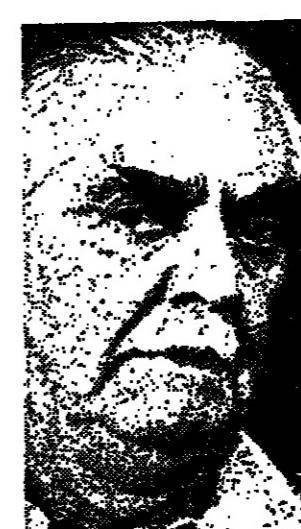
His personal eccentricities make him a wonderful butt for the cartoonists and political pundits. His drinking problem is widely aired. His abrupt resignation from the presidency in 1961, after only seven months in office, claiming that "hidden forces" were working against him, is regularly produced as evidence of his

instability and unreliability. It was this resignation that plunged the country into chaos and led to the 1964 military coup.

But none of these defects make any difference to Mr Quadros's supporters, most of them lower middle class shopkeepers or minor civil servants concerned about issues such as law and order. For them, the man with the symbol of the broom—to be used to clean out corruption and incompetence—can do no wrong.

A powerful, emotive speaker, Mr Quadros has lost little of the fire and brimstone which gave him in 1980 the largest electoral victory in Brazil's history. President at the age of 43, he was often compared with his contemporary, President John Kennedy of the US.

His resignation, which has never been properly explained, is usually said to have been a failed manoeuvre to overcome a stubborn Congress blocking the president's pet projects. Subsequently, he sank into obscurity for many years, with occasional, fitful, comeback attempts. This time with the help of some powerful political barons of the contemporary



Winner: Mr Quadros

scene, he has regained an important elected office.

As major of São Paulo and more Right-wing than ever, he can be expected to use his influence to propel himself and his ideas onto the national stage in much the same way as Mr Jacques Chirac has done in Paris.

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Financial Times Tuesday November 19 1985

WORLD TRADE NEWS

Tokyo rejects EEC proposals to lift imports

By JUREK MARTIN IN TOKYO

THE European Community has made scant progress in its latest attempt to find ways of persuading Japan to import more.

Mr Shintaro Abe, the Japanese Foreign Minister, and Mr Willy de Clerq, Commissioner for External Relations and head of the EEC delegation, said yesterday that Japan had turned down the EEC request that it set quantified import targets for manufactured goods.

According to Mr de Clerq, Japan had also rejected an alternative EEC proposal—that it adopt a four part programme embracing import forecasts, monitoring a publicly proposed long term "import vision" and macro-economic fiscal and monetary measures designed to stimulate imports.

Mr de Clerq described these measures as "merely procedural" and added that the adverse Japanese reaction would be noted in the mission's report to the Commission.

Mr Abe, who emphasised that three days of formal and informal talks here had been marked by the absence of "a confrontational manner," said that quantifiable targets for imports was an unrealistic approach.

He said it was not compatible to Japan's existing import action measures. He conceded that Japan's "import propensity" was too low, but suggested that this problem could be met by structural changes on which he gave no

details, in the Japanese economy and by the maintenance of a higher value for the yen, to which the Japanese Government was strongly committed.

The EEC mission had never expected to get Japanese backing for specific import targets. It had, however, expected a more positive response to its set quantified import targets for manufactured goods.

Mr de Clerq and Mr Abe insisted that the question of EEC retaliation against Japan (for example, through action under the General Agreement on Tariffs and Trade) had not been raised in this session.

Mr de Clerq, however, said that the EEC's position on this was well known to need restating.

The major consolation that

Mr de Clerq and his Commission colleagues—Mr Karl-Heinz Nierjes, the vice president responsible for industrial affairs, and Mr Peter Sutherland, the competition commissioner—pointed to was the Japanese admission that its propensity to import was, by international standards, too

Mr Abe said the Japanese had referred to its latest \$4bn (£2.8bn) domestic demand package, promulgated last month, and had suggested that more might be forthcoming in compilation. But again he provided no details and he reiterated Japan's known deficit problems.

China and UK in flights pact

By Lynton McLellan in London

THE UK and China have agreed to increase the number of flights between Peking, London and Hong Kong.

The Hong Kong to Peking route will be served by two additional scheduled services a week by Cathay Pacific and two additional services by CAAC, the Chinese civil airline.

CAAC is also planning to introduce its second weekly service between London and Peking. (The extra flights were agreed after discussions in London called to review UK air services under the Civil Air Transport Agreement, signed in London in November 1978.)

The flights by Cathay Pacific between Hong Kong and Peking will be the airline's first scheduled flights on the route. Cathay operates a weekly charter service to Peking from Hong Kong.

More talks are to take place between British Airways and CAAC, to examine the future of British Airways' route from London via Hong Kong to Peking. There was nothing in the latest agreement to change BA's rights on the route.

Both sides expressed interest in servicing additional points in China, and there will be further discussions about this "in due course," the transport department in London said yesterday.

South Korea considers tyres tariff

By Steven R. Butler in Seoul

SOUTH KOREA may impose a 10 per cent emergency tariff on tyres in an attempt to curb a surge in imports.

The Ministry of Trade and Industry has formally requested the Finance Ministry to adopt the measure, which would raise tariffs on imported tyres from 35 per cent to 45 per cent.

South Korea imported 355,000 tyres in the first eight months of the year, an increase of 135 per cent, and imports by the year end are expected to reach 550,000, a rise of 167 per cent. The bill for imported tyres this year is expected to reach about \$13m (£9.4m).

Michelin holds close to 70 per cent of the imported tyre market and Goodyear about 12 per cent.

The demand for tyres in South Korea is growing rapidly as the vehicles industry expands. Korean manufacturers supply more than half the tyres for the nation's cars. Goodyear is known to be interested in establishing a joint venture for tyre production in South Korea.

Austrians win Lebanon deal

ELIN-UNION, Austria's state-owned electrical engineering company, has won a share in a Sch 600m (£23m) contract to extend a power plant at La Kadicha, near Tripoli, in northern Lebanon. Patrick Blum reports from Vienna.

The contract was won jointly with Waagner-Biro, another

Austrian company which will be responsible for supplying boilers.

The company said yesterday that the contract was backed by a standard credit line from the Österreichische Kontrollbank, and work on the project is expected to start later next year.

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Japanese tractor maker launches US sales drive

By IAN RODGER

KUBOTA, the leading Japanese farm equipment maker, is planning a major assault on the US market for medium sized tractors.

The move could present a strong challenge to British and West German producers, which dominate the US market for this category of tractor (40 to 50 horsepower).

Mr Tatsuji Yumiba, an executive managing director of Kubota, said in a Financial Times interview that the company had begun marketing its new medium sized tractors in the US on a limited basis, and was ready to step up its efforts

there. "It is a huge market with an immense absorption power."

Kubota developed a range of medium sized tractors about five years ago, and is now sufficiently confident about its competitiveness to launch it in export markets.

Initially, Kubota plans to concentrate its exports on the US market, partly because there is no longer a significant domestic production of these machines in the US and partly because

per cent of the 100,000 tractors sold annually in Japan were more than 40 horsepower. In the US, the market for medium sized tractors is about 45,000 units a year.

Kubota developed a range of medium sized tractors about five years ago, and is now sufficiently confident about its competitiveness to launch it in export markets.

Initially, Kubota plans to concentrate its exports on the US market, partly because there is no longer a significant domestic production of these machines in the US and partly because

many of its 500 US dealers are enthusiastic. "They and their clients seem to be very happy with the quality of Kubota products and they are asking for more," Mr Yumiba said.

The company is not considering competing in European markets because "there is a substantial production base there."

"We would like to take time to see how we are accepted in the US before trying elsewhere," said Mr Yumiba.

He acknowledged that the US market was very competitive.

It is not going to be easy. We

will take some time to work ourselves into the market." One US Kubota dealer already sells medium sized tractors from its plant in West Germany. Other European producers, such as Deutz of West Germany and Fiat of Italy also export tractors to the US.

Britain is the main source of medium sized tractors for the US market, with Ford and J. I. Case of the USA and Massey-Ferguson of Canada all having concentrated production of this category in the UK.

More than 13,000 medium sized tractors, worth roughly £55m, were exported from the OEM basis to Deere.

West European light van market under attack from Japan

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BY THE 1990s the Japanese will take 40 per cent of the Western European light van market—the fastest-growing commercial vehicle sector headed by Volkswagen of West Germany and Ford—according to the DRI forecasting group in a report published today.

DRI says that during the past five years the Japanese have built their position of the European light van market to 20 per cent. Two developments in particular appear likely to extend the trend.

Firstly, the Japanese will manufacture more vans in Europe at their own factories. Nissan already is making its Vanette at its Motor Iberia subsidiary in Spain, for example.

Secondly, in response to their own falling market shares, the Europeans are likely to look for ways to reduce the cost and

investment needed for new van ranges and will use Japanese panelising.

On present plans Europe could take 10 per cent of the European light commercial vehicle market, in addition to the near 20 per cent already taken by Japanese firms.

"Our expectation is that other manufacturers will join in the process and could take the penetration of Japanese designed light commercial vehicles to 40 per cent eventually."

This will make it increasingly difficult for European manufacturers to obtain the 100,000 annual sales volume they need for investment in major new light vans—such as the Ford Transit replacement, due shortly, or replacements for the Renault Traffic/Master range or the vehicles produced in Italy and sold as the Fiat Ducato, Peugeot J5/Citroen C25/Talbot.

The possibility of selling these vans in the important French and Italian markets, which would otherwise place quotas on Japanese imports, is a major attraction of "Euro-

panising". Japanese designed light vans.

The DRI report covers demand and production of commercial vehicles by gross weight for 11 European markets up to 1995.

The report suggests the outlook is brightening for the European truck manufacturer. European sales have stabilised at last year's level after four years of decline and production growth.

For many companies exports have been the chief support to recovery and China in particular has provided at least a temporary market for European trucks with useful volumes. Even so, Japanese manufacturers have won the lion's share of the available business in China.

The DRI European Trucks Forecast Report, £9.50 from DRI, 30 Old Queen Street, London SW1H 9HP.

EUROPEAN TRUCK PRODUCTION

	(thousands)	1984	1985	1986	1986
MEDIUM/HEAVY TRUCKS					
West Germany	115.1	126.3	126.1	147.1	
France	40.3	29.3	32.3	37.8	
UK	50.4	56.3	57.6	54.7	
Italy	39.4	45.0	48.0	53.4	
Spain	16.0	17.2	16.1	22.6	
Sweden	53.0	56.4	58.6	67.2	
Netherlands	12.4	12.4	12.3	13.9	
Total	331.5	346.0	351.6	386.6	

LIGHT COMMERCIAL VEHICLES

	204.0	217.5	227.9	245.4
West Germany	204.0	208.5	210.0	210.4
France	32.9	32.5	32.0	31.4
UK	144.1	151.0	151.0	151.6
Italy	116.2	143.1	124.7	149.0
Spain	86.9	121.1	124.8	157.3
Belgium	35.2	48.1	61.4	67.1
Total	892.3	1,010.5	1,042.7	1,153.9

Source: DRI.

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TECHNOLOGY

Monitor to beat test ban cheating

US NUCLEAR weapon scientists have one technology they are eager to share with the Soviets. It is a system for detecting and locating underground nuclear explosions, which they claim can distinguish infallibly between the smallest nuclear explosion and the rumblings of a restless earth.

Their dearly wish the USSR to agree to have their new unmanned instrument on Soviet soil. Both nations then would receive identical signals of any nuclear explosion anywhere in the world, and would thus have the basis for joint action. The world could be girdled with 30 such stations—15 in the Soviet Union and 15 elsewhere, the Americans believe.

If a complete ban on nuclear explosions were agreed between the US and the Soviet Union, the system could give the necessary assurance that neither was cheating. But first the Soviets would have to gain the kind of confidence the US is beginning to show in Norway, its prototype seismic detector in Norway.

Norway—Norwegian regional seismic array—is a pattern of seismic detectors laid over a circular area of pine forest 3km across, near Hamar, 100 km north of Oslo. The array of 25 seismometers both detect and pinpoint the explosion.

Norway began life with a telephone call from Washington to the Sandia National Laboratories in Albuquerque, New Mexico, in 1977, asking how quickly the scientists could invent a foolproof systems accept-

able to both sides in support of a treaty banning all nuclear testing.

Sandia distinguished five features believed crucial to acceptance of such a robot by the Soviets, says Dr Roger Hagenhuber, director of systems studies.

They are:

- it must have no classified features; no "black box" inaccessible to the Soviets;
- it must run unattended with absolute reliability, for at least a year between calibrations;
- it must be self-powered so that no-one could plead a power cut to explain gaps in the data;
- the data must be freely available to both sides with no opportunity for either to tamper with it;
- data must be made available in real time using an unclassified satellite for transmission.

Early in 1978 the Sandia scientists gave a Soviet team a presentation of their ideas in Geneva. One year later they had a demonstration running. But the political incentive to agree to a test ban slackened in the Richter scale.

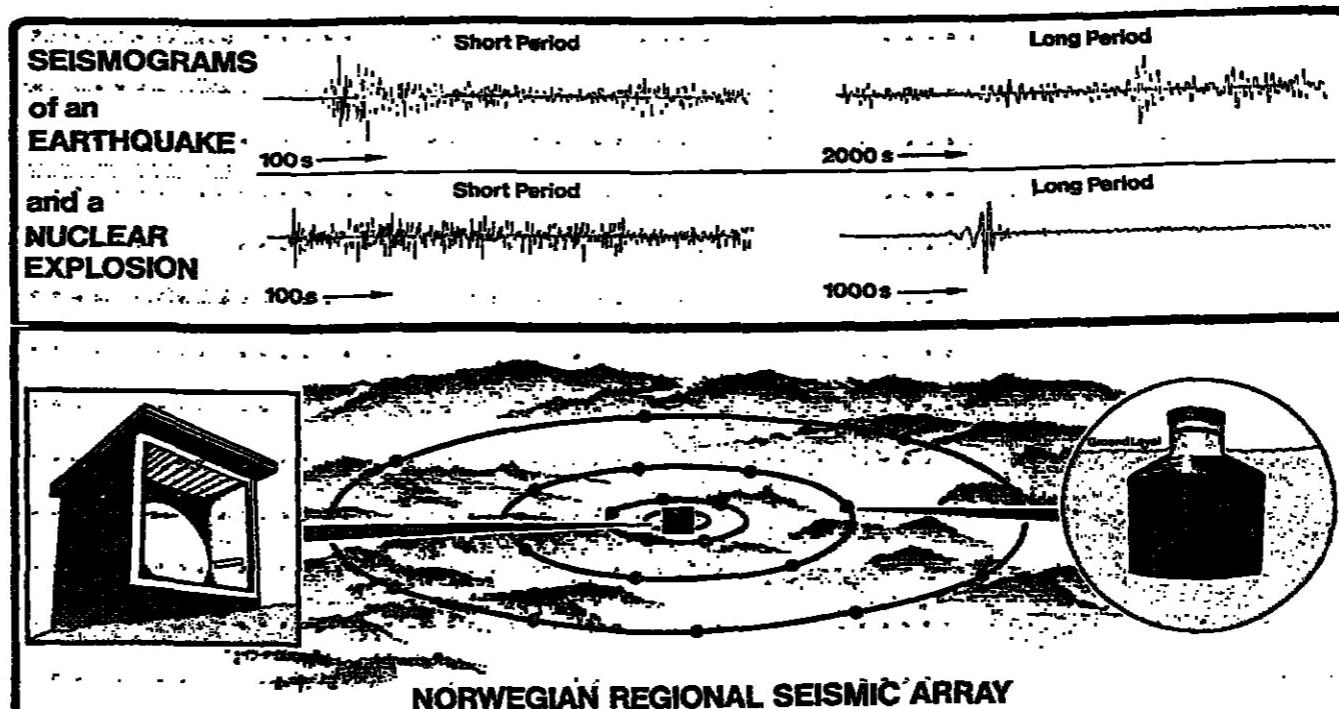
One of the more useful ways of discriminating between earthquakes and underground explosions, says Sandia, is the

bigious data. For more than two decades the US has relied on its Vela satellites to spot atmospheric nuclear explosions. It is the world's only satellite system devoted solely to this purpose, in support of the Partial Test Ban Treaty of 1963.

Vela has blazed only once, the US believes. In the late 70s it registered a signal that looked suspiciously like a nuclear explosion in the southern hemisphere. But some details were missing from the signal, and no confirmatory evidence of any kind—such as fallout—was found. It demonstrated the difficulty of seeking absolute perfection.

Dr Hagenhuber is confident, however, that scientists are nearer perfection with Noress, which is seeking a signal that's extraordinarily difficult to buck. It is a seismic signal characteristic of an explosion, which will travel all the way round the earth. In hard rock, around 100 nuclear explosions equivalent to 1,000 tonnes of TNT will cause perturbations equivalent to about 4 on the Richter scale.

The best the scientists can do is to try to provide the least am-



Seismograms can clearly differentiate between an explosion and the rumblings of the restless earth. Noress is the prototype of a robot seismographic array proposed by the US to monitor nuclear explosions

ratio of the intensities of shock waves through the ground up to a nuclear test of about equal magnitude. But the differences lessen with distance.

In addition, the designer can add his knowledge that earthquakes have been observed at depth as great as about 700 Km,

whereas nuclear explosions are restricted by the difficulties of drilling to a few kilometres.

The clever feature of Noress is the design of its array, and the way it can sift a weak signal submerged in background noise from the earth. Its designers

claim that it can spot signals having a frequency between one and 10 Hz. At the hub, both the physical and operational centre, are two more seismometers tuned to other frequencies, set in 60-metre holes. The cost is quite modest—Sandia thinks arrays could be installed for about \$1m each.

But Noress has a range of only about 2,000 km so it will need to be located on Russian as well as Western soil.

The Noress array designed by the Lawrence Livermore National Laboratory, consists of 24 seismometers timed to record

vertical ground motions having a frequency between one and 10 Hz. At the hub, both the physical and operational centre, are two more seismometers tuned to other frequencies, set in 60-metre holes. The cost is quite modest—Sandia thinks arrays could be installed for about \$1m each.

Integral to the design is the concept of "authentication," whereby a large body of data can readily be sampled to give assurance that there has been no tampering—or, if there has, that it is quickly disclosed. As a global system, it is also designed to use the Global Positioning System (Navstar) of 18 new satellites, scheduled for completion in 1988.

The US scientists are keenly alive to the problems of persuading the Soviets to accept such monitors. Only last summer did they permit their first inspections of nuclear power plant by inspectors from the International Atomic Energy Agency. Some kinds of technology make the Russians feel very uncomfortable, Dr Hagenhuber says. They have rejected inspection equipment which uses microprocessors.

But in Noress, Sandia believes it has a technology which should be culturally acceptable, and which has run reliably for more than a year. It is one which can be operated in a hostile climate.

Moreover, it believes, the same basic system could be adapted for the verification of a chemical arms control treaty, simply by changing the basic sensor.

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Selling technology

Electronic link for design data

MARCONI ELECTRONIC DEVICES is setting up electronic links with its agents and larger users in the UK and Europe that will allow design data to be sent directly to the manufacturing unit in Lincoln.

Using mainly Mentor design workstations at the remote sites—which is effect become design centres—Marconi has already set up links with Germany, Switzerland, Scandinavia, Italy and the US.

Marconi supplies the necessary software for use on the terminals. Designers can then perfect their "chips" on the workstations, establish a telecommunications link on the packet switched services and send pattern generation and test data to Lincoln.

The semiconductor company can then immediately proceed with manufacturing, reducing the overall time for getting a chip to the market.

The company offers initial training in semi-custom chip design and using workstations and software so that users can confidently specify their own circuits.

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Isolator shield for hardware

OWNERS OF computers and other electronic hardware who are worried about a nuclear war may be interested in shielding equipment to protect their installations from atomic explosions.

The equipment, known as Isolator, is sold by Marconi Radar Systems of Chelmsford. Isolator shielding protects electronic hardware from the sudden surge of electricity, known as an electromagnetic pulse, that would result from a nuclear detonation. Marconi hopes to sell the product to military installations and companies which make defence-related apparatus.

Computer system aids search for underground obstacles

High quality dot matrix printer

MANNESMANN TALLY, Europe's largest maker of computer printers, has launched a versatile machine intended for use with professional personal printers.

The MT290 is a dot matrix character printer which can be switched between fast-draft mode printing at 200 characters a second and letter quality mode at 50 cps.

Different fonts can be obtained by plugging in cartridges.

In letter quality mode, the results are hard to tell from ordinary typescript. They are achieved by running a nine wire print head twice over the line, giving an 18x40 character matrix.

Mr David Archard, managing director of Mannesmann Tally, says that in spite of increasing sales by the laser and ink-jet printers, impact types will remain in strong demand for some years simply because they can make several copies in one pass using carbons.

The experiment involved four test shots and cost \$400m. The aim now, says Dr Gerold Yonas, the SDI organisation's chief scientist, is to refine the technologies of interception to bring down costs.

While Heds is aimed at producing weapons that can destroy warheads just inside the atmosphere, Pentagon planners want Eris to result in a device that operates in space, before the target warhead enters the atmosphere in the final stages of its journey.

Using a novel propulsion

US seeks cheap way to destroy missiles

US AEROSPACE and weapons companies are involved in an ambitious effort to build cheap warheads that could be used to destroy intercontinental missiles as they zoom close to the upper stages of the atmosphere on their way to targets.

The effort comes under the jurisdiction of the US Defence Department's Strategic Defence Initiative organisation and concerns two separate programmes, the High Endoatmospheric Defence System (Heds) and the Exoatmospheric Reentry Intercept Subsystem (Eris).

The projects aim to follow on from work in the SDI organisation's Homing Overlay Experiment. In this, in June 1984 military engineers fired a projectile from the ground which succeeded in hitting in space a missile launched from the US Air Force's Vandenberg range in California.

The experiment involved four test shots and cost \$400m. The aim now, says Dr Gerold Yonas, the SDI organisation's chief scientist, is to refine the technologies of interception to bring down costs.

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Financial Times Tuesday November 19 1985

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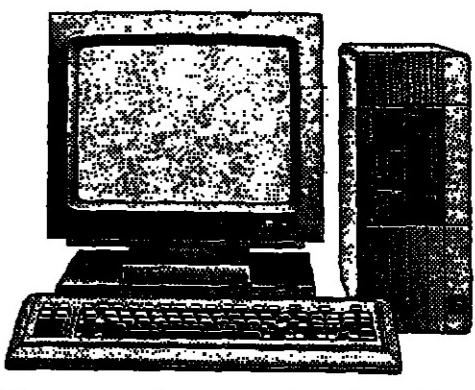
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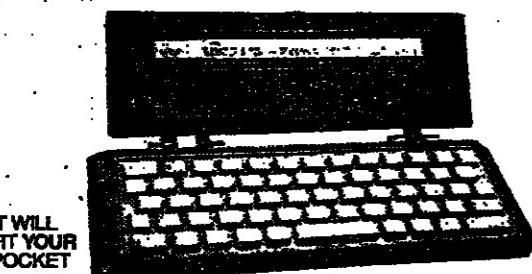
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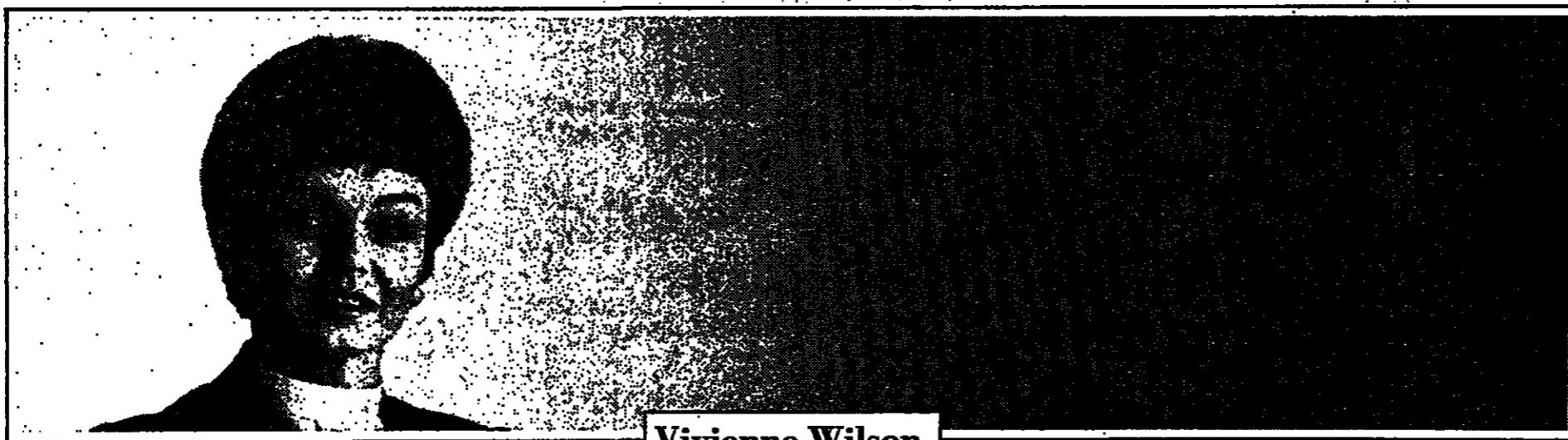
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BY GUY DE JONQUIERES

BRITISH TELECOM (BT) has given warning that the terms in which it will be required to connect its network with that of Mercury will make it harder for it to support UK telecommunications equipment manufacturers.

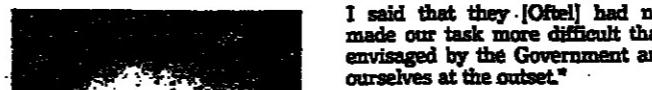
Sir George Jefferson, BT's chairman, said that Mercury had a competitive advantage over BT because it was not expected to buy predominantly British-made equipment.

Mercury could also use the latest technology in its network, which is due to start operating next year. But BT had a much older telephone system that had suffered from years of inadequate investment, largely because of earlier government curbs on spending.

Sir George said BT did not plan to challenge in court last month's ruling by the Office of Telecommunications (Ofel), which fixed the terms on which the BT and Mercury networks would be interconnected.

But he said Ofel was "wise" to have allowed for a review of the ruling after two years. "If because of competition and new technology we are seriously undercut in the market, the results could be very serious," he said.

Sir George said the ruling would also make it more difficult for BT to



Sir George Jefferson:
'Mercury has advantage'

implement gradually its policy of "rebalancing" tariffs. This involves raising prices for unprofitable residential services faster than for profitable business traffic.

He did not expect BT to start feeling the impact of competition from Mercury for at least a year. But he said: "I would be less than honest if

he also make it more difficult for BT to

I said that they [Ofel] had not made our task more difficult than envisaged by the Government and at the outset."

He said BT would not make further changes in its tariffs in the coming year, beyond the 3.7 per cent average increase that took effect at the start of this month. Nor did it plan any significant shift in procurement policy at the expense of British suppliers.

However, he said, BT's obligation to support the UK industry had limited its ability to adjust to competition from Mercury. Without that responsibility, BT could have shared out contracts for the modernisation of its network between suppliers around the world.

He said some parts of the UK supplier industry were trying very hard. In spite of recent delivery delays, System X, the British digital public exchange, was equal in quality to any of its international rivals.

"It would be wrong to say that Britain does not have adequate capability. The problem is that our industry must compete on a world market scale," he said. "If we at BT are going to produce a world-class service, we need world-class suppliers."

Tough test to come, Page 18

No. 9

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UK NEWS

Thatcher attacks critics of Anglo-Irish accord

BY MARGARET VAN HATTEM



Mrs Thatcher: 'Ulster's best guarantee yet'

MRS MARGARET THATCHER, the Prime Minister, yesterday roundly attacked critics of the new Anglo-Irish agreement. She told them it represented "the best guarantee they had ever had" and accused them of scaremongering.

The agreement, signed last Friday, was warmly welcomed at Westminster by MPs on both sides of the House of Commons, where the response to Mrs Thatcher's statement reflected the growing isolation of the Ulster Unionists.

Only a handful of right-wing Tory backbenchers rose to support the 14 Unionist MPs present. The more experienced Unionist MPs – such as Mr James Moloney, the Rev Ian Paisley and Mr Enoch Powell – remained calm in their denunciations; but others became increasingly emotional. Some MPs on both sides began to jeer and laugh openly at their anger, while others later expressed their distaste for what they described as "histronics".

Later, at a meeting of the Tory backbench committee on Northern Ireland, Sir Geoffrey Howe, Foreign Secretary, and Mr Tim King, Northern Ireland Secretary, were closely questioned on the constitutional implications of the agreement, which gives the Irish Government a formal role in Northern Ireland policy-making.

Employers want end to unearned rises

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE CONFEDERATION of British Industry (CBI), the UK employers' organisation, yesterday called for a revolution in thinking within industry to stop "the unearned annual rise in pay".

The CBI meeting in Harrogate yesterday for its annual conference voted overwhelmingly, however, against a resolution calling for more employment laws.

Dr James McFarlane, director general of the Engineering Employers' Federation, said that "changes in employment law will be from now on diminishing return from increased investment in legislation."

Sir Terence Beckett, director general of the CBI, said that to stop unearned pay increases would improve competitiveness. "If we are sincere in our compassion for the unemployed, the unearned annual increases in pay must be stopped. It's a kindness to the unemployed and those who might join their ranks in the future."

"Next year, with inflation forecast to come down to 3.5 per cent, was a 'unique window of opportunity to get pay settlements down... if we have the opportunity, it may not come again for long time," he said.

Sir Terence's appeal was received with some scepticism by several of the delegates who have already made settlements in the 5 to 7 per cent range. However, both Sir Terence and Sir James Clemmons, the CBI president, publicly optimistic, that the pay message already circulated among the members is getting through.

Many of the debates yesterday were interwoven with the theme of responsibility by business both for its own success and for the creation of jobs for the unemployed. A survey taken for the CBI by Gallup shows that both employers and employees are willing to make sacrifices on behalf of the unemployed.

Conference reports, Page 14;
Editorial comment, Page 18**S&N Breweries in 'final' £125m bid for Matthew Brown**

BY LIONEL BARBER

SCOTTISH & Newcastle Breweries yesterday declared a final £125m offer for Matthew Brown, the Blackburn-based brewer in north-west England, raising its all-share or cash terms by around £25m.

Matthew Brown, which has sought an eight-month battle for independence, said last night that the revised offer was still "unacceptable".

Before the reference to the combination, S&N's offer was worth £93p per Matthew Brown share. This compared with a value of £98m when the first bid was launched in March, though S&N subsequently added £65p in cash to its offer of 14 of its own shares for every five Matthew Brown shares.

Schroders, advising Matthew Brown, said that shareholders accepting the cash alternative could suffer a heavy tax bill. The Monopolies Commission report, which suggested that regional brewers should be protected from further takeover bids from big national brewers, gave Matthew Brown a scarcity value, Schroders added.

Although S&N holds about 17 per cent of Matthew Brown, two key shareholders, Britannia Assurance, with 9.5 per cent, and Whitbread Investment, with 9 per cent, have declared a preference for staying with the company.

Lex, Page 20

The terms of the final offer are 18.5p per share for every five shares in Matthew Brown. On last night's closing price of 171p for S&N, down 4p on the day, the offer values Matthew Brown at 54p. There is a full

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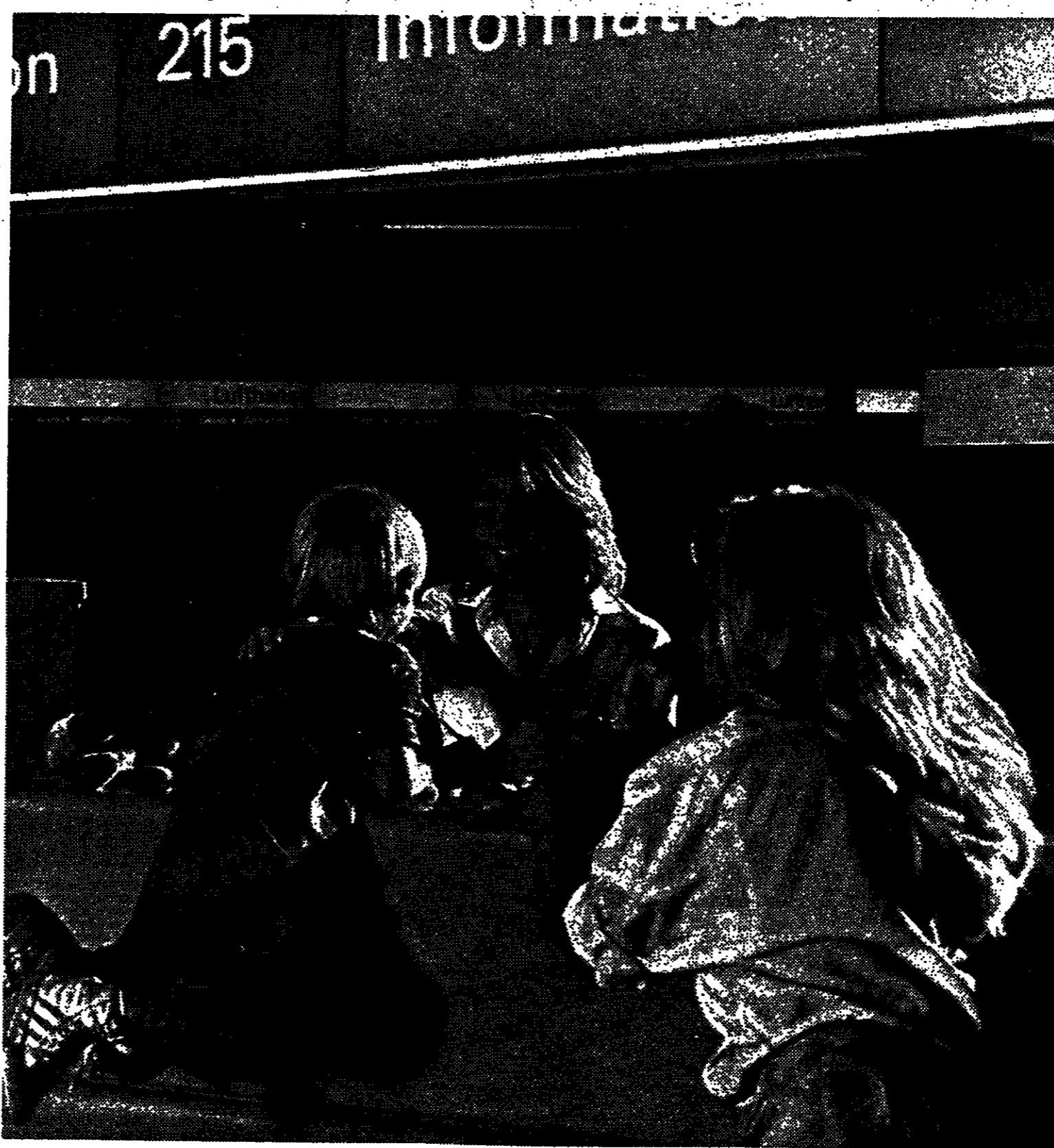
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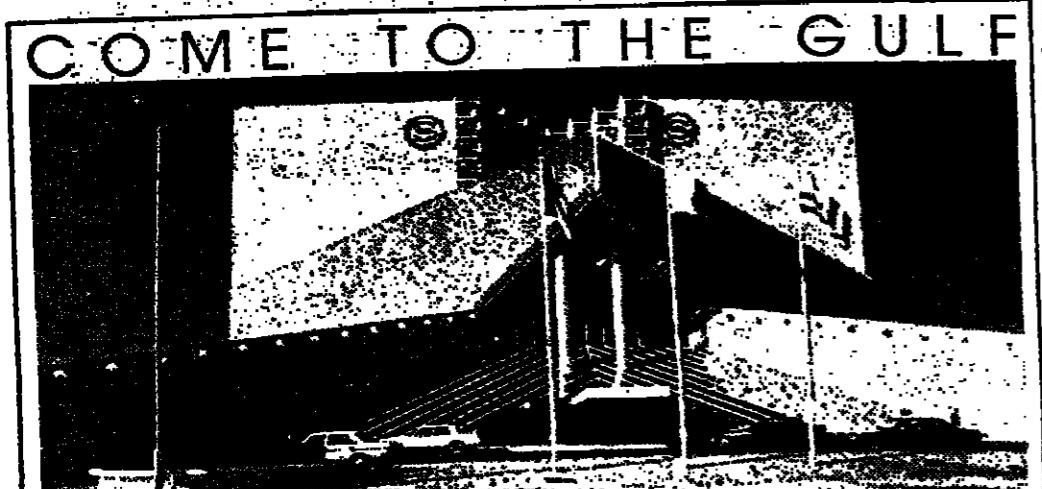
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Third-quarter rise of 0.5% in UK output

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

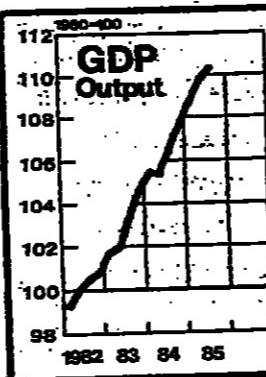
BRITAIN'S OUTPUT rose by around 0.5 per cent in the three months to September, putting it about 3.5 per cent above the level of a year earlier, according to official figures released yesterday.

The Central Statistical Office (CSO) said that its preliminary estimate on the output measure of gross domestic product (GDP) in the third quarter showed that a 0.5 per cent fall in industrial production was offset by 1 per cent rise in the output of service industries.

The figures were seen in Whitehall as in line with the Government's forecast that the economy will grow by around 3.5 per cent this year, and by a further 3 per cent in 1986.

Lower industrial production during the three-month period was largely a reflection of a summer lull in North Sea oil output and of a relatively flat performance by manufacturing industry. This was only partly offset by a further rebound in coal production following the end of the miners' strike.

There is some expectation among Government statisticians that the manufacturing figures will be revised upwards as new data become available over coming months. The



Treasury, however, expects manufacturing output to grow less fast than the economy as a whole this year and next, with its forecast suggesting a 2.5 per cent rise in both years.

Yesterday's statistics show that if the impact of the coal strike is excluded, output rose by about 0.25 per cent in the three months to September, to stand 2.25 per cent above a year earlier. This is below the 3 per cent rate that the Treasury anticipates for 1985 after adjustment for the pit dispute.

Buy-outs estimated at £590m this year

By William Dawdins

BRITISH managers have spent three times as much money on buying out their own companies so far this year than in the whole of 1984, according to a survey by Acquisitions Monthly magazine.

The survey lists 101 management buy-outs worth a total of £590m so far, as against 115 worth £190m in 1984.

More than 80 per cent of the 1985 figure is accounted for by 10 deals.

These estimates only include the buy-outs that have been publicly reported. The actual figure is certain to be higher, says the survey. Its estimates do not include large companies disposing of small peripheral subsidiaries, where details do not have to be disclosed, nor buy-outs of small independent companies.

Industry sources suggest that the total number of management buy-outs in 1984 could be anything between 170 and 200, says the survey.

Accountants Peat Marwick last week said that an estimated £715m worth of management buy-outs had been completed in the UK so far this year and that the 1985 total could reach £1bn.

Employers press for government role in helping industry

By LISA WOOD

The Confederation of British Industry (CBI), the employer's organisation, has urged government to liaise with industry in developing a strategic framework for strengthening the worldwide competitiveness of British industry.

There was some confusion among delegates at the CBI annual conference about the exact role that government should play. Sir James Clemmison, the CBI president, concluded that there needed to be a clearer definition of the conference resolution.

The conference, however, voted by a majority of about six to one on a definition of government's role as presented by Lord Pennoch (Morgan Grenfell). He said government should create the right climate with, for example, lower interest rates, more capital investment and deregulation. "I think we have always said we would create the competition and government would create the climate," said Lord Pennoch.

Mr Alan O'Hea (Calt International) was the most vigorous critic of the motion. He said that it sounded like a call for a national plan as put forward in the mid-1960s by a Labour Government. "We can look after our own competitiveness without asking government to do it for us," he said.

Mr John Raisman (British Telecom) said, "The problems of British industry lie in our own hands." He did not discount the role of government or the EEC dimension. He called for the dismantling of physical and technical barriers to the movement of goods, services and people in the EEC.

He made what he called his annual plea for Britain to join fully in the financial community, to a strategy for manufacturing industry.

European Monetary System. He said that, contrary to what the Prime Minister believed, Britain would be better equipped to stand the buffeting of sterling within the EMS.

Mr Colin Perry, chairman of the CBI West Midlands region and chairman and managing director of the Birmingham Mint, spoke of the trade deficit in manufacturing

CBI annual conference

goods and compared the situation to 20 years ago, when the UK had a substantial trade surplus in manufactured goods.

A strategy was needed to reverse the long-established trend, he said. Industry had to take the lead and correct its failure to come up with new products. "Self-help is absolutely crucial to these matters," he said.

"But of course we also need the right operating environment, too. It is essential to get the commitment of government, and also of the financial community, to a strategy for manufacturing industry."

The Government, he said, had been slow to recognise the need for additional policies after it tackled inflation and union legislation. In particular, the Chancellor's dismissal of last month's House of Lords report on overseas trade seems ill-considered and hasty, as well as inaccurate, in describing it simply as a plea for subsidies, when it was nothing of the kind.

Campaign will urge improved marketing

By ALAN PIKE

A NATIONAL campaign to encourage chief executives to improve the marketing performance of their companies was launched at the CBI conference yesterday.

During next year - Industry Year - the CBI will try to persuade chief executives of all its member organisations to attend seminars on marketing issues.

Mr Ralph Halpern, chairman of the Burton Group and of the CBI's marketing and consumer affairs committee, said the initiative was designed to show companies how staff, customers and society could become involved in the successful marketing of products.

"Today the CBI begins a drive to change not only industry's attitudes but British society's attitudes," he said.

Messages from Mrs Margaret Thatcher, the Prime Minister and Mr Neil Kinnock, leader of the Labour opposition, in support of the initiative were given to delegations before they adopted a resolution setting up the campaign.

Sir William Barlow of BICC supported the move as chairman of the Design Council. The most important reason why British people bought so many imported products, he said, was their standard of design. Yet many of these foreign products were the work of British designers.

By contrast, two thirds of the products submitted to the Design Council for approval did not meet the standard required while some were appalling, he said.

In another resolution, the conference gave its enthusiastic support for the concept of Industry Year, with delegates stressing the importance of one of its main objectives - improving links between industry and education.

Mr David Nixon, chairman of Scottish and Newcastle Breweries and deputy president of the CBI, said the aim of Industry Year must be to achieve a permanent change in the understanding and values which Britain placed on industry.

For too long, the education system had positively steered the most able young people away from industry, he said. Jobs in the wealth creating sector ranked behind those involving caring for people. Industry was at fault itself for failing to get the message across that Britain's bills could be paid only by British business.

The plan included greater understanding of international competition.

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UK NEWS

Space work 'lays base for new industries'

ENGINEERS WORKING on the space bases of the 1990s could play a similar role to the alchemists of medieval times in laying the basis for industries, Mr John Egan, director of business planning at Coopers & Lybrand, the accountants, said yesterday.

Speaking to a Financial Times conference in London on space commercialisation, Mr Egan said that a number of big pharmaceuticals and materials companies were already indicating interest in using the facilities of the \$15bn manned space station, due to be built by a US-led international consortium by the mid-1990s.

Mr Egan, an adviser to the US National Aeronautics and Space Administration (Nasa) on commercial ventures in the heavens, said some of the more mystical alchemists of old produced very little.

Others, however, in seeking new ways to produce gold and other metals, invented processes that formed the base for modern science.

According to Mr Egan, the low gravity in an orbiting space station could be useful in turning out new kinds of low-defect crystals, for instance semiconductors such as gallium arsenide, and novel proteins and other organic materials for the drug industry.

Although transport and processing costs in orbiting factories would be high, the greater yield and the possibility of making substances

difficult to obtain on Earth could provide substantial profits.

General Motors, John Deere, Bethlehem Steel, Alcoa, 3M and Ford were all interested in materials experiments aboard space shuttles flights, possibly as a prelude to missions on the space stations.

Space projects chief named

Mr Roy Gibson, a former director general of the European Space Agency, is to become Britain's new head of space projects. The Government will officially confirm him in his position as director general of the British National Space Centre tomorrow.

Mr Geoffrey Pidd, Minister for Information Technology, will

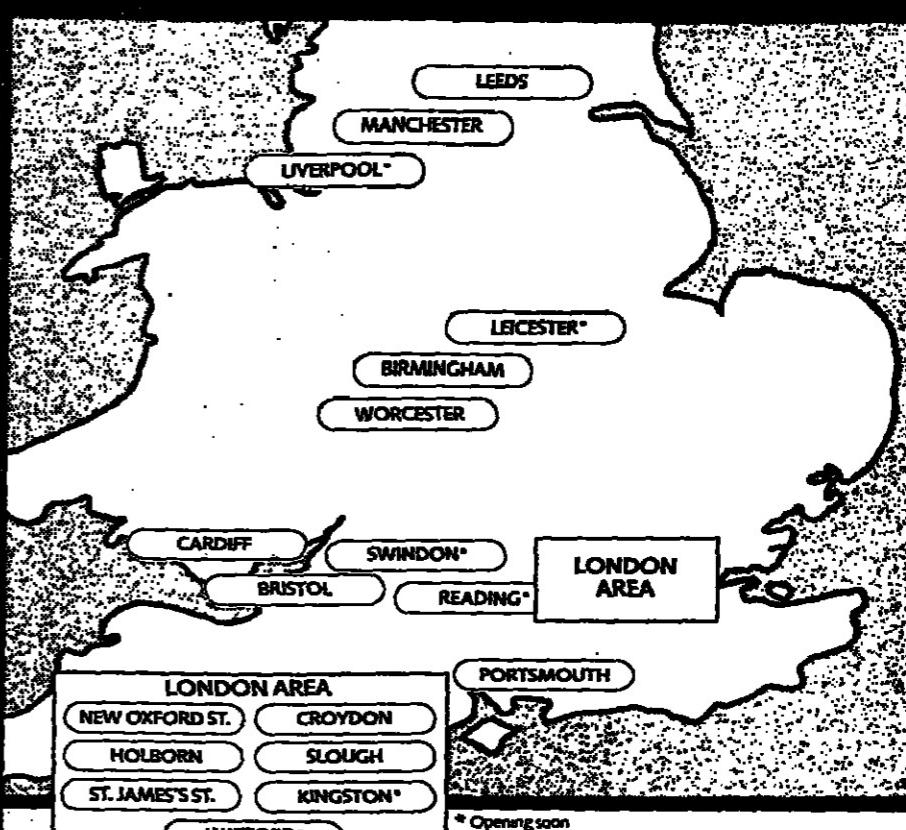
The station is due to be built with a set of elements provided by space shuttle flights in the early 1990s. Mr Culbertson said Nasa had been impressed by the response of Western Europe, Japan and Canada to the US invitation to join the project.

He said Nasa hoped to agree

General Technology Systems, a UK space consultancy, said governments and other bodies involved in space activities would have to pay more attention to making industry aware of the benefits of extra-terrestrial projects.

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Trusts call for relaxation on advertising

By George Graham

INVESTMENT TRUSTS have called for a relaxation of the rules on how they may advertise their shares to the public.

Sir Raymond Cazalet, chairman of the Association of Investment Trust Companies, said that the restrictions imposed by the Prevention of Fraud (Investments) Act put investment trusts at a disadvantage to unit trusts, building societies and life assurance companies.

He believed that these restrictions should be relaxed in the bill, due to be published in December, which will replace much of this act.

Investment trusts, in common with other companies, are for the most part restricted to advertising their results. Some trusts, however, have advertised their results throughout the year, while others have done so only at the time that the results are published.

The White Paper (policy document) on financial services, which outlines the provisions of the December bill, exempts investment trust companies from some of the bill's regulatory provisions. Trust managers with other fund management activities, however, will be included in the regulatory framework.

Animal feed market expected to shrink

By Andrew Gowers

THE ANIMAL feed industry, which was severely affected last year by the introduction of milk production quotas, can expect a long period of

That is the message of a previously unpublished paper by Mr Alan Price, chairman of BOCM Silcock, the Unilever subsidiary and

UK market leader. Overcapacity in the feed industry is estimated at up to 30 per cent, or 5m tonnes, as a result of the sharp drop in sales that followed the EEC-imposed cut in milk output. Mr Price believes the market will continue to shrink.

"In the longer term, we must plan

on the basis of a much lower market volume," he says. "We cannot ignore the threat of further quotas or some other form of restriction on milk output. There is still 15 per cent oversupply of milk products... Unfortunately, one has got to be coming a smaller company in a smaller industry."

Like the other three big companies in the feed business - Dalgety, Bibby and Pauls - BOCM Silcock took swift steps to cut its costs in the wake of quotas. It shut two older, inefficient mills and is replacing them with smaller, more mechanised operations, as well as decentralising its management.

Short Brothers makes first profit for 11 years

By Our Belfast Correspondent

SHORT BROTHERS, the state-owned Belfast aircraft and missiles manufacturer, has returned to profit for the first time since 1974.

The company, which is a candidate for privatisation, yesterday reported a profit of £323,000 in the year to March 31 compared with a loss of £24m in 1984. Turnover was up 23 per cent at £220m with growth reported in all the company's divisions - aircraft, missiles and aircraft components.

Sir Philip Foreman, chairman and chief executive, said the company had made encouraging progress despite intense competition, especially in the commuter aircraft market. Profit before interest payments was almost doubled at £10.7m.

He said: "The company turned in an overall profit with a financial structure having such artificially high gearing was no mean

achievement, and it is to be hoped that the Government will undertake a financial reconstruction in the near future."

Aerospace was a high-risk business that should be viewed against long-term objectives. Although the profit for any one year should not be given undue emphasis, company performance in recent years had improved significantly, he said.

Commuter aircraft accounted for more than half the turnover. Sir Philip said 1984-85 saw the introduction of three new aircraft that were in direct competition with Shorts' own aircraft in the 30-seat sector, but the company still won 32 orders for the Shorts 300. Missile sales amounted to £60m and components for important manufacturers such as Boeing, Rolls-Royce and Fokker brought in £32m.

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From and after 15th January, 1986, interest on the Bonds will cease to accrue.

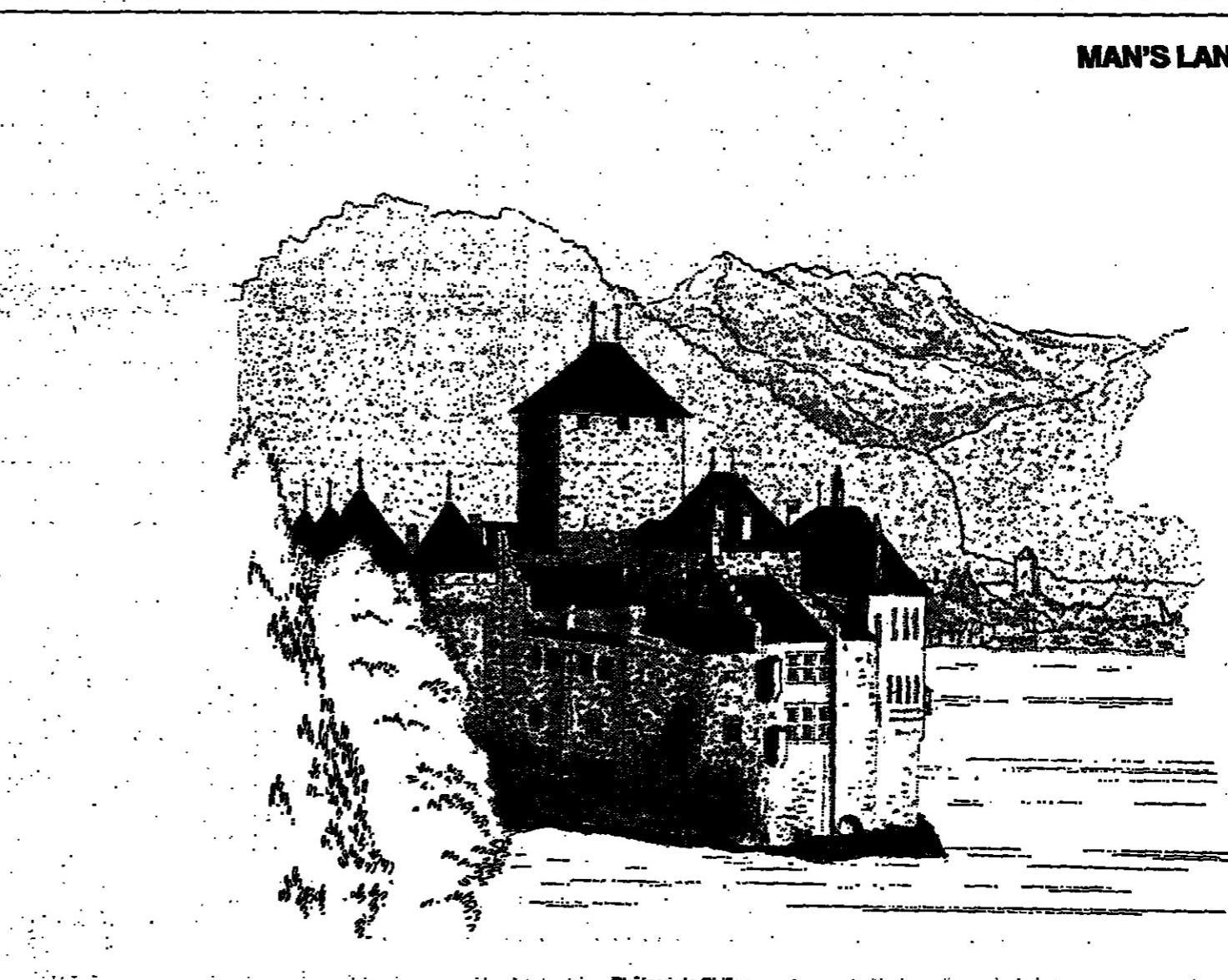
The Bonds may be converted into shares of Common Stock of the Company at the conversion price (with Bonds taken at their principal amount translated into Japanese Yen at the rate of ¥ 203.25 equals U.S. \$1) of ¥ 276.7 per share of Common Stock. Each bondholder who wishes to convert his Bonds should deposit his Bonds, together with all unmatured coupons, with any of the Conversion Agents being the same as the Paying Agents specified above, accompanied by a notice of conversion (the form of which notice is available from any of the Conversion Agents). SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL BONDS AT THE CLOSE OF BUSINESS ON 15th JANUARY, 1986.

For the information of the bondholders, the average of the daily closing prices of the Shares on the Tokyo Stock Exchange for the 30 consecutive stock exchange trading days, the first of which occurred 45 stock exchange trading days prior to 15th November, 1985 was at least 130 per cent of the Conversion Price in effect on such day. The reported closing price of the Common Stock of the Company on the Tokyo Stock Exchange on 14th November, 1985 was ¥ 339 per share.

AS A CONSEQUENCE OF THE PUBLICATION OF THIS NOTICE OF REDEMPTION, BONDHOLDERS WILL NOT BE ENTITLED TO EXERCISE THE OPTION GIVEN TO THEM UNDER CONDITION 6(B) OF THE BONDS TO REQUIRE THE COMPANY TO REDEEM THE BONDS ON 31st MARCH, 1986.

NIPPON YUSEN KABUSHIKI KAISHA
By The Industrial Bank of Japan Trust Company,
as Principal Paying Agent

Dated: November 19, 1985



SWITZERLAND

When you travel abroad for business or pleasure, the Visa Card and Travellers Cheques are all you need.

Your Visa Card means you can use the most widely accepted name in the world for travel, shopping and entertaining - at over 4 million locations.

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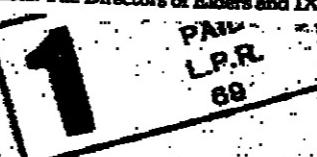


All you need.

Financial Times Tuesday November 19 1985

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This is an important document and not a circular.
It requires your immediate attention.

MR. D.
46
016

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt about the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.



Offers for Allied-Lyons PLC

Lucky for some.

74,000 people were lucky enough to have one of these through their letter-box this morning.

It's IXL's offer for their Allied-Lyons shares. 255p per ordinary share is a substantial increase over the market value prior to press speculation about the bid.

What will happen to Allied when the bid succeeds?

Elders intends to invest to improve Allied-Lyons drinks brands. That, in turn, should benefit both employees and customers and stimulate competition in the UK economy.

Elders also intends to provide much

needed marketing flair and technical innovation while preserving the best tradition of British brewing.

That can only be good for export prospects while Elders' organisational skills should enhance job security, improve career prospects and create broader opportunities for the existing management.

Allied-Lyons shareholders who have any queries about the Offer document or the forms of acceptance may telephone Elders' Offer Office (0272-298141) between 9 am and 9 pm any day of the week.



ACCEPT IXL'S OFFER FOR YOUR ALLIED-LYONS SHARES NOW.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-2488000

Tuesday November 19 1985

Call from the CBI on pay

SIR TERENCE BECKETT'S strongly worded attack on the "going rate" tradition which still governs British pay settlements was world-wide and revealing. It would be idle to hope that one speech will change the entrenched habits of a whole generation of managers but at least it may serve to make them think. That would be a start.

The core of the problem is not economic, but psychological. The fact that British unit costs are rising faster than those in competing countries is sad but only too familiar; the same statement could be made of almost any year since the second world war, except for the odd intervals when a pay freeze was in force. What is new is that management's excuses for this endless drift have finally run out.

Traditionally, managements have blamed union pressure for the problem; but this will not wash any more. Not only are unions weaker than for many years and militants everywhere in retreat, as Terence pointed out, but the shift in bargaining power is visible in the pay statistics. Pay settlements have not accelerated at all in face of a large and very welcome recovery in profits; yet as every manager knows a healthy cash flow is an almost irresistible challenge to an effective militant.

Depressing statistic

Indeed the virtually constant pace of wage advance, which has been stuck at an annual rate of 7% per cent with almost no monthly variation through three turbulent years, shows all how completely the process of wage determination has become divorced from costs and pressures elsewhere in the economic system.

The most depressing statistic of all, however, concerns not the actual settlements, but managements' attitudes to them. In a recent industrial poll an overwhelming majority of managers claimed that their own settlements were "about right."

What makes managers so complacent about cutting their own competitive threats? Part of it is muddled arguments about fair play and reward from past sacrifice which Sir Terence cannot address. All appear to be grasp.

The criteria for mergers policy

IN THE NEXT few weeks Britain's notoriously pragmatic mergers policy will be subjected to another test. The Office of Fair Trading will decide whether to recommend that the Elders XYL bid for Allied Lyons should be referred to the Monopolies Commission. The Secretary for Trade and Industry, Mr Leon Brittan, then has to accept the recommendation or overrule it. If the Government sticks to its interpretation of mergers policy given by Mr Norman Tebbit, then Trade and Industry Secretary, and recently re-stated by Mr Michael Howard, Consumer Affairs Minister, it will rule against a reference, and it will be right to do so. But such is the discretion available to ministers that the outcome cannot be taken for granted.

The flexibility of British mergers policy has sometimes been claimed as a virtue. As a former Trade Secretary put it, it can "accommodate any shifts of emphasis that may be needed." Yet the ad hoc approach led to such inconsistency—both in decisions to refer and in decisions by the Monopolies Commission itself—that the policy became something of a laughing stock. For Tebbit, while refusing to amend the anti-trading Act in a way which would bring greater certainty into mergers policy, decided that references to the commission should be made primarily on competition grounds. Although ministers retained their discretionary power, the effect of the change was to give them room to manoeuvre on a number of issues (which had a real effect on competition) and to downgrade such questions as the suitability of company A to acquire company B.

Novel feature

Thus, for instance, the Government raised no objection to the bid by the Al Fayed brothers for House of Fraser, the department store group, which in the pre-Tebbit period would probably have been referred. This ruling understandably enraged Lordino, it is worse.

A Geordie in New Jersey

James Wood must be one of Britain's more successful exports to the United States.

The 55-year-old Geordie, who started work as a Newcastle Co-op apprentice, is now beginning a second five-year contract as chairman and chief executive of The Great Atlantic and Pacific Tea Company (A & P) supermarket chain, last year earned \$3m including bonuses.

Given the high level of gearing, the combined group would for a time be exposed to credit shocks. If it were to be hit by adverse trading conditions or the expected sales did not materialise, its financial position could become extremely shaky. But these risks are the concern of the banks which are financing the bid and of the banking authorities which supervise them. One may question the ease with which huge amounts of credit are assembled to finance bids of this kind, but these are matters which relate to the prudential control of the banking system, not to competition policy.

Useful stimulus

If the Elders bid is referred

it will restart the process which

Mr Howard in his recent speech rightly deserved of using

merger control to second-guess

target companies. As Mr

Howard pointed out, vulnerability to a takeover is normally a reflection of management performance in

the past and credibility in the future; the availability of a

takeover can be a useful

stimulus to improved perfor-

mance. Of course many mergers do not succeed. The rationale for leaving the decision to the market (except where competition is involved) is not that shareholders or managers are unavailable, but that intervention by bureaucrats and politicians

is worse.

"But I have always been a Geordie and I always will be," he says. So he has bought a 17th century country house in Northumberland where he can renourish his roots for a few weeks each year.

Almost there

Does a slip of the tongue reveal one's innermost thoughts?

I feel that Patrick Sheehy,

chairman of BAT Industries, would be the first to deny that idea.

Speaking to an OECD conference in Paris yesterday attended by high-powered industrial leaders from many nations he said, "We make sure that those business-growing skills are free to develop them, unhampered by the dead hand of democracy."

What he meant to say was "the dead hand of bureaucracy."

Nevertheless, what he actually did say went down well with the industrialists who had spent the day calling for flexibility of labour.

Inside story

There is more to a beefburger than meets the eye, I learned from Dr Eric Dransfield of the Food Research Institute, Bristol.

With very little quality control at present on what the meat trade calls "minced meat products"—apart from knowing what people like to bite upon—Dransfield has devised a texture profile for the ubiquitous burger.

Encouraged by his success Dransfield is now turning his attention to pies and sausages.

Golf hazard

West Berlin's golfers may finally be provided with an 18-hole course on top of a ruined rubble and refuse dump within

slicing distance of the East German border. The site is one

of the few that the hemmed-in city can spare.

West Berlin's environmental chief is, however, the development board only on condition that it will be a public course. The city has a private nine-hole course—which can on occasion be extended by borrowing another nine holes from the adjoining US Army golf course.

The new layout will have one hazard, however, with which golfers do not usually have to contend—methane gas.

The gas, seeping up from the garbage below, has virtually wiped out the pine trees that were planted on the dump.

But it is hoped that grass will survive where the trees have not. And specialists are now studying what effect the gas might have on the players.

In writing recently about Payne and Gunter's celebratory royal banquets, I confused the past with the present. Gunter, in the past, has catered for Buckingham Palace but Payne and Gunter no longer does so, though it caters for many royal occasions.

Scenic route

You have to be very careful when you go to foreign lands to make acquisitions, as the Prudential found out recently.

The man from the P.R. who

was in Dublin to look at its

latest insurance, Insurance Corporation of Ireland, called a taxi to take him from his hotel to the company's offices.

On the way the driver agreeably pointed out famous landmarks of the capital such as O'Connell Street, the Guinness brewery and the Quays, and charged him 17 Irish "punts" for the trip.

The Englishman abroad later told his new colleagues whether that wasn't a bit steep for such a trip?

Very steep indeed to travel just round the corner, was the reply.

Financial Times Tuesday November 19 1985

BRITISH TELECOM: ONE YEAR AFTER PRIVATISATION

Now comes the hard part

By Guy de Jonquieres

EARLY next month, British Telecom ends its first year as a privately-owned company. Proper concern about the use of shareholder funds will doubtless preclude an anniversary party as lavish as the publicity extravaganza which surrounded the share flotation.

But Sir George Jefferson, its chairman, is in a mood to celebrate.

Privatisation, he says, has freed its board to run BT as a telephone company rather than as "part of the macroeconomic manipulation of the economy."

We have the opportunity to chart a long-term course without political interference. That could never have been the case as a nationalised industry, whatever the statutes said."

BT's 1.6m shareholders have good reason to be pleased, too. BT increased its pre-tax profits by 39 per cent to £443m in the quarter ended June 30 and has sailed through the crisis of investor confidence which has battered most of the electronics sector this year. Its share price of 183p at yesterday's close is more than 70 per cent above the issue price, calculated on a fully paid basis.

For other interested parties, however, living with BT's newly-found freedom has been far less comfortable. Its tougher procurement policies and avowed ambition to become a world-class competitor in information services and equipment have sent tremors through traditional suppliers such as GEC, Plessey and STC.

Many customers remain to be convinced, too, that what is good for BT and its shareholders is necessarily also good for them. BT's latest tariff increase, ranging as high as 9.4 per cent, were condemned last month by the Telecommunications Users' Association, which has 600 corporate and individual members. Though the rise averaged 3.7 per cent, well within the limits allowed by regulation, the association said it was "a gross abuse of monopoly position" in view of BT's high profits.

It is widely agreed that liberalisation of the UK market since 1981 has spurred improvements in the standard of BT service and created a get-up-and-go spirit among its senior management. But critics still complain that things are not improving fast enough.

According to Mr John Kelley, chairman of the Telecommunications Managers' Association, which represents many large companies, BT's record in meeting routine customer needs falls far short of the glossy hi-tech image projected by its advertising campaigns.

Telephoning Mr Kelley at his office at hotel group Grand Metropolitan recently lent some point to his complaints. Two attempts ineffectually reached the switchboard of a nearby Rank Xerox plant—"We keep getting calls for Grand Met," said the Rank Xerox operator—and a third hit a crossed line.

That Britain's telecommunications policies, and BT's place in them, remain controversial is

hardly surprising after the violent upheavals of the past few years. But it is still unclear whether the industry is merely going through a temporary adjustment—or whether the unsettled situation reflects more fundamental inconsistencies in the policies themselves.

Several commentators have argued that privatising BT before liberalisation of the UK market had had time to produce effective competition was unwise. A recent report by the respected International Institute of Communications says

by some City estimates, will have revenues of up to £600m by a year by 1990. BT does not expect its business to be much affected by the interconnection ruling, for at least a year. But Sir George nonetheless complains that the transition is far too abrupt. It will, he says, make it harder for BT to achieve gradually a "re-balancing" of tariffs to reduce cross-subsidies between profitable business traffic and unprofitable residential services. This process is essential to meeting competition.

BT's main telecommunications manufacturers have had little success so far in enlarging their share of export markets, and the System X digital exchange developed jointly by BT, GEC, Plessey (and, previously STC) has yet to find a sizable international market.

Increasing concern the niggardly performance of Britain's information technology industry, and the notion that the sector may need some form of restructuring to strengthen its competitiveness appears to be

one of the major reasons for its bid was to establish a substantial presence outside the UK.

This last point could prove to be one of the strongest in BT's favour when Mr Leon Brittan, the Trade and Industry Secretary, receives the Commission's report in a few weeks. Officials

in his department view with increasing concern the niggardly performance of Britain's information technology industry, and the notion that the sector may need some form of

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Financial Times Tuesday November 19 1985

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Letters to the Editor

Unique heresies of pay bargaining in the UK

From Mr P. Linklater

Sir.—In a free market economy any firm that pays significantly above the market rate for basic skills will cripple itself by denying resource for investment, design, growth, and yes, job creation. To claim disregard for the market is a totally irresponsible attitude from which our international competitors are exempt, because they are monopoly "pay" bargainers as being an "equivalent" to "monopoly pricing". These words do not have the elegance of Samuel Brittan's as they are called from a contribution I made to the CBI Annual Conference as long ago as November 1976.

The occasion was a debate on whether CBI should support what proved to be the final stage of the "social contract" — a pay limit of 5 per cent. Pragmatists claimed that the figure was too restrictive; RPI increase was then 8 per cent, 8 per cent and the indications were that the TUC was only likely to co-operate if the limit was raised to 7 per cent. As a matter of record this was, for what it is worth, an accurate appreciation and the defeat of the Callaghan administration in 1979 was a product of the final collapse of the "social contract" in an atmosphere of policies following in the wake.

Difficulties in farming

From Mr A. Campbell

Sir.—The difficulty the farming community has at present is a lack of direction. It faces a stark commercial future, with output prices falling against a background of rising input costs. It is aware that there are few alternatives to either quotas or price restraint or the withdrawal of some form of acreable production. In addition, as a community, it is continually criticised by the media for its excesses without any recognition of the fundamental contribution it makes to the stability of the economy.

Surely therefore, the time is right either for Mr Major or Dr Waldegrave to give direction or further proposals substantiated by efficient schemes for the planting of hard wood woods. These schemes will achieve a number of objectives: they will take agricultural land out of production for a minimum of thirty years, which by virtue of this duration would be by far the most long lasting means of utilising taxpayers' funds; the value of the wood products would only aid our balance of payments by reducing imports; but also produce much needed jobs in rural areas; such schemes would appeal to rural

rancour between unions and government. At the CBI however another school of advocacy was calling for an immeasurable system and the introduction of "free collective bargaining" with ability to pay the sole criterion.

It seemed appropriate then to identify the unique heresies of pay bargaining in the UK. Samuel Brittan's Whinlott lecture (November 2) and the responses are a reminder that some at least are still with us.

The first heresy was productivity bargaining (a version of "ability to pay") introduced by practitioners like myself in the 1960s and founded on the assertion that the object of the enterprise was the creation of "juice" (low unit cost in relation to earnings). We conveniently forgot that it was common policy to reward de-manning and new work practices by pay systems substantially ahead of any market considerations as truly earned remuneration power and therefore well found economic growth. Parity bargaining, by now universal, trades unions in other industries rapidly destroyed the morale and performance and the economy suffered accordingly.

With inflation and incomes of over 10 per cent before the election of a Conservative administration and the ensuing inflationary explosion which successfully annihilated a substantial proportion of the nation's manufacturing capacity. No other country has experienced these two destructive phenomena, although the practice of index-linking providing a certain twist to the inflationary spiral has been encouraged elsewhere.

A final comment on Samuel Brittan's thesis. Innovative employers over the last two decades have attempted to make "single status" a reality, but the decline in inflation and the growth of unemployment does indeed give it a new and moral dimension.

Peter Linklater

The Gables,
Southover, High Street,
Levisham, East Sussex

Shopping together on Sunday

From Mr J. Tadion

Dudleywood

Sir.—In his criticism of your leader which supported Sunday trading, Mr Francis (November 13) regrettably overlooks the established facts.

He said that "a majority of the population may feel that Sunday should be a qualitatively different day, part of the rhythm of the week...". He is right to prefer most shops were closed. The MORI poll of September and November 1983 established that 55 per cent of the public thought that shops should be allowed to remain open on Sunday. The Harris Research Centre, in a study commissioned by this company in November 1984 found that more than eight out of 10 Londoners believed that shops should be free to open on Sunday.

Mr Francis argued that Sunday opening would not create extra trade and implied that the present amount of spending power was fixed in amount but that total trading costs would increase as a result. He should extend his logic and consider closing shops, by law, on an extra day or two, or more, to save these costs. What is so special about opening 54 or six days; why not five, four, three, two or ultimately one? If the costs are proportionate and the spend fixed, shops could take it in turn to open say one or two days a week, perhaps supervised by the Local Authority so as to maintain a fair share of the "fixed" costs. In deference to the longer rail strike, one could go on full on part way for half day for the rest of the week; all other costs would be cut to the bone, prices

must fall, no one would suffer and many would be advantaged. But who would believe it?

He said that without legislation to prevent Sunday trading any one shopkeeper may have little choice than to compete by opening on that day. But few retailers take advantage of present circumstances which generally allow them to open until 8 pm on the weekday.

Although some open until this hour, the vast majority close at 5 pm. Where is the evidence that any are forced to remain open by the actions of the few that do 60% of their own shopping? Those that choose to open late only do so if the service is commercially viable. If it is not, they do not.

Mr C. Townsend (November 11) argued for "space in the week" for the priorities of relaxation, recreation, family life and the opportunity to worship without hindrance. I would answer that many families like to shop together on Sundays; it is for them a form of relaxation and recreation together with friendship. They are able to worship as they are on any other day in the week. No one compels them to shop on Sundays; no one should prohibit them from so doing.

It surely cannot be other than reasonable that retailers should be allowed to satisfy the needs of their customers at times flexible, suitable and convenient to those customers. There is, after all, massive evidence that this view is shared by the people.

H. Woolf,
60 Kings Road SW3

Buying back the silver?

From Mr D. Shaw

Middletown

Sir.—Isn't Professor Myddleton (November 13) rather deliberately missing the point? Lesser economic minds than that of Lord Stockton's will easily grasp that if any business enterprise sells valuable capital assets to meet revenue expenditure, it can only be justified

If it is the only way to stay in business.

Isn't this the Government's point?

To buy support for its survival with the proceeds of sale of a publicly owned corporation might have a glacial appeal to some, but not really...

D. J. Shaw,
153 Turney Road, SE21

Principles and postponing the TSB flotation

From Karen Warwick

Sir.—While the decision to postpone the flotation of the Trust Building Bank has arguably made your first leader of November 15 redundant within a few hours of its publication, the principles (or rather lack of such) underlying your analysis seem disturbing enough to merit comment.

You describe as "extremely distant and unquantifiable" the risk of the Government being successfully assailed in the European Court of Human Rights by an aggrieved depositor pursuing, presumably, his (qualified) right—under Article 1 of the first protocol to the European Convention on Human Rights—not to be deprived of his possessions.

Distant, no doubt. That court has yet to determine the Article 1 rights of the shareholders dispossessed and derisorily compensated by the last Labour administration in the Lithgow matter.

Unquantifiable, no. If the judgment of the Court of Session in the TSB case is successfuly appealed in the Inner House or in the House of Lords, we will presumably be because the appellants finally establish that the Scottish assets did not

(under pre-TSB Act law) belong to the depositors. A depositor who then nonetheless approached the judicial organs of the Convention with an Article 1 complaint could hardly even expect the matter to be the preliminary and procedural test of admissibility to have been "deprived" of something he had never owned.

A Strasbourg appeal under those circumstances would probably be an attempt—greatly to be deprecated, for this is just the sort of thing which brings the Convention into dispute—to make publicity and political mileage out of a case devoid of legal merit.

But suppose Lord Davidson's judgment is upheld on appeal, and the Government (as you appear, incredibly, to suggest) then ignores a judicial finding by the House of Lords in the depositors' favour. A successful Strasbourg defence of its expropriation of the depositors in those circumstances would require the Government to establish that the complainants had been deprived (1) in the public interest and subject to the conditions provided for (2) by law (for example local, or national, law), and (3) by the general principles of international law.

Those who opened accounts in the 12 months preceding December 1984 receiving a small discount while those of longer duration received a greater discount. Those who have had accounts for say 30 years or more should receive a substantial allowance. (I assume the TSB has kept records.)

Leonard Nelson,
26, Rokeby Drive,
Kenton,

Fortunately, however, there are signs that wiser counsels Newcastle upon Tyne.

WHEN THE Red Army crossed Guizhou province in China's remote southwest on the epic Long March in 1934, they found poverty on a scale that even they had not imagined. The opium-soaked peasants were literally naked, enslaved from birth to death by their landlords. The harsh limestone country allowed only the meanest living to be scratched from its minimal soil.

Yet Guizhou has national, and probably world, importance for its deposits of coal, antimony, tungsten, mercury and bauxite. These have scarcely been tapped. Railways have spread into the province since 1949, but the combined effects of doctrinaire Maoism and local apathy mean that the provincial government is only now starting to tackle its enormous problems.

In the provincial capital, Guiyang, a curtain of dun-coloured fog hangs permanently above the scattered factories. Smoke pours from the chimneys, trapped in the valley by the motionless cloud.

"No three miles without mountains, no three days of mountains, no three ounces of silver," runs the traditional description of the province, about as true today as when it was coined.

This is Deng Xiaoping's China, just as much as the increasingly prosperous cities and farmlands of the East. But there is no talk in Guizhou of getting rich, policy which has dominated Chinese thinking for several years. Though food production has begun to rise, officials admit that 20 per cent of the province's 25m people still do not have enough to eat.

Matching the grim economic situation, a monster statue of Chairman Mao still raises his arm over Guiyang's Stalinist-style new town (the old town lies below on the banks of a polluted river).

The province has a new party secretary, 42-year-old Hu Jintao, famous as China's youngest. He seems to have been sent as a trouble-shooter from Anhui province, once a byword for poverty and leftism but now launched on a cycle of development. He will have his work cut out to do the same in Guizhou.

China's current "open door" policy is intended primarily to open up not the whole country but the belt of provinces along China's coast. The plan is that growing affluence should filter through there to the deprived areas along the eastern seaboard. 60m people live and, if dissatisfied, would constitute a considerable threat to Peking's control.

Both factories named unreliable suppliers as their biggest problem. The diesel engine works needs quality pig-iron for castings, for which there is only one source in China, the Anshan steel works in Liaoning some 1,500 miles away by slow train. The optical instrument works uses over 9,000 components and raw materials, and only 100 or so come from within the province. Both are hamstrung for long periods by shortages, and production times



Bob Hutchins

